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ECONOMIC AND SOCIAL HISTORY OF
THE WORLD WAR

DUTCH SERIES

WAR FINANCES IN THE
NETHERLANDS UP TO 1918

BY

M. J. VAN DER FLIER

CARNEGIE ENDOWMENT
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John Bates Clark, Director

ECONOMIC AND SOCIAL HISTORY OF THE WORLD WAR

Dutch Series
Netherlands series

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EDITOR FOR THE NETHERLANDS

*For List of other Editors and the plan of the Series see end
of this volume*

WAR FINANCES IN THE
NETHERLANDS
UP TO 1918

BY
M. J. VAN DER FLIER, LL.D.

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EDITOR'S PREFACE

IN the autumn of 1914, when the scientific study of the effects of war upon modern life passed suddenly from theory to history, the Division of Economics and History of the Carnegie Endowment for International Peace proposed to adjust the programme of its researches to the new and altered problems which the War presented. The existing programme, which had been prepared as the result of a conference of economists held at Berne in 1911, and which dealt with the facts then at hand, had just begun to show the quality of its contributions; but for many reasons it could no longer be followed out. A plan was therefore drawn up at the request of the Director of the Division, in which it was proposed by means of an historical survey to attempt to measure the economic cost of the War and the displacement which it was causing in the processes of civilization. Such an 'Economic and Social History of the World War', it was felt, if undertaken by men of judicial temper and adequate training, might ultimately, by reason of its scientific obligations to truth, furnish data for the forming of sound public opinion, and thus contribute fundamentally toward the aims of an institution dedicated to the cause of international peace.

The need for such an analysis, conceived and executed in the spirit of historical research, was increasingly obvious as the War developed, releasing complex forces of national life not only for the vast process of destruction but also for the stimulation of new capacities for production. This new economic activity, which under normal conditions of peace might have been a gain to society, and the surprising capacity exhibited by the belligerent nations for enduring long and increasing loss—often while pre-

senting the outward semblance of new prosperity—made necessary a reconsideration of the whole field of war economics. A double obligation was therefore placed upon the Division of Economics and History. It was obliged to concentrate its work upon the problem thus presented, and to study it as a whole; in other words, to apply to it the tests and disciplines of history. Just as the War itself was a single event, though penetrating by seemingly unconnected ways to the remotest parts of the world, so the analysis of it must be developed according to a plan at once all-embracing and yet adjustable to the practical limits of the available data.

During the actual progress of the War, however, the execution of this plan for a scientific and objective study of war economics proved impossible in any large and authoritative way. Incidental studies and surveys of portions of the field could be made and were made under the direction of the Division, but it was impossible to undertake a general history for obvious reasons. In the first place, an authoritative statement of the resources of belligerents bore directly on the conduct of armies in the field. The result was to remove as far as possible from scrutiny those data of the economic life of the countries at war which would ordinarily, in time of peace, be readily available for investigation. In addition to this difficulty of consulting documents, collaborators competent to deal with them were for the most part called into national service in the belligerent countries and so were unavailable for research. The plan for a war history was therefore postponed until conditions should arise which would make possible not only access to essential documents but also the co-operation of economists, historians, and men of affairs in the nations chiefly concerned, whose joint work would not be misunderstood either in purpose or in content.

Upon the termination of the War the Endowment once more took up the original plan, and it was found with but

slight modification to be applicable to the situation. Work was begun in the summer and autumn of 1919. In the first place a final conference of the Advisory Board of Economists of the Division of Economics and History was held in Paris, which limited itself to planning a series of short preliminary surveys of special fields. Since, however, the purely preliminary character of such studies was further emphasized by the fact that they were directed more especially towards those problems which were then fronting Europe as questions of urgency, it was considered best not to treat them as part of the general survey but rather as of contemporary value in the period of war settlement. It was clear that not only could no general programme be laid down *a priori* by this conference as a whole, but that a new and more highly specialized research organization than that already existing would be needed to undertake the Economic and Social History of the War, one based more upon national grounds in the first instance and less upon purely international co-operation. Until the facts of national history could be ascertained, it would be impossible to proceed with comparative analysis ; and the different national histories were themselves of almost baffling intricacy and variety. Consequently the former European Committee of Research was dissolved, and in its place it was decided to erect an Editorial Board in each of the larger countries and to nominate special editors in the smaller ones, who should concentrate, for the present at least, upon their own economic and social war history.

The nomination of these boards by the General Editor was the first step taken in every country where the work has begun. And if any justification were needed for the plan of the Endowment, it at once may be found in the lists of those, distinguished in scholarship or in public affairs, who have accepted the responsibility of editorship. This responsibility is by no means light, involving, as it does, the adaptation of the general editorial plan to the varying demands of national circumstances or methods of

work ; and the measure of success attained is due to the generous and earnest co-operation of those in charge in each country.

Once the editorial organization was established there could be little doubt as to the first step which should be taken in each instance toward the actual preparation of the history. Without documents there can be no history. The essential records of the War, local as well as central, have therefore to be preserved and to be made available for research in so far as is compatible with public interest. But this archival task is a very great one, belonging of right to the governments and other owners of historical sources and not to the historian or economist who proposes to use them. It is an obligation of ownership ; for all such documents are public trust. The collaborators on this section of the war history, therefore, working within their own field as researchers, could only survey the situation as they found it and report their findings in the form of guides or manuals ; and perhaps, by stimulating a comparison of methods, help to further the adoption of those found to be most practical. In every country, therefore, this was the point of departure for actual work ; although special monographs have not been written in every instance.

This first stage of the work upon the war history, dealing with little more than the externals of archives, seemed for a while to exhaust the possibilities of research. And had the plan of the history been limited to research based upon official documents, little more could have been done, for once documents have been labelled 'secret' few government officials can be found with sufficient courage or initiative to break open the seal. Thus vast masses of source material essential for the historian were effectively placed beyond his reach, although much of it was quite harmless from any point of view. While war conditions thus continued to hamper research, and were likely to do so for many years to come, some alternative had to be found.

Fortunately such an alternative was at hand in the narrative,

amply supported by documentary evidence, of those who had played some part in the conduct of affairs during the war, or who, as close observers in privileged positions, were able to record from first- or at least second-hand knowledge the economic history of different phases of the great war, and of its effect upon society. Thus a series of monographs was planned consisting for the most part of unofficial yet authoritative statements, descriptive or historical, which may best be described as about half-way between memoirs and blue-books. These monographs make up the main body of the work assigned so far. They are not limited to contemporary, war-time studies ; for the economic history of the war must deal with a longer period than that of the actual fighting. It must cover the years of ' deflation ' as well, at least sufficiently to secure some fairer measure of the economic displacement than is possible in purely contemporary judgements.

With this phase of the work, the editorial problems assumed a new aspect. The series of monographs had to be planned primarily with regard to the availability of contributors, rather than of source material as in the case of most histories ; for the contributors themselves controlled the sources. This in turn involved a new attitude towards those two ideals which historians have sought to emphasize, consistency and objectivity. In order to bring out the chief contribution of each writer it was impossible to keep within narrowly logical outlines ; facts would have to be repeated in different settings and seen from different angles, and sections included which do not lie within the strict limits of history ; and absolute objectivity could not be obtained in every part. Under the stress of controversy or apology, partial views would here and there find their expression. But these views are in some instances an intrinsic part of the history itself, contemporary measurements of facts as significant as the facts with which they deal. Moreover, the work as a whole is planned to furnish its own corrective ; and where it does not, others will.

In addition to this monographic treatment of source material, a number of studies by specialists is already in preparation, dealing with technical or limited subjects, historical or statistical. These monographs also partake to some extent of the nature of first-hand material, registering as they do the data of history close enough to the source to permit verification in ways impossible later. But they also belong to that constructive process by which history passes from analysis to synthesis. The process is a long and difficult one, however, and work upon it has only just begun. To quote an apt characterization, in the first stages of a history like this one is only 'picking cotton'. The tangled threads of events have still to be woven into the pattern of history; and for this creative and constructive work different plans and organizations may be needed.

In a work which is the product of so complex and varied co-operation as this, it is impossible to indicate in any but a most general way the apportionment of responsibility of editors and authors for the contents of the different monographs. For the plan of the History as a whole and its effective execution the General Editor is responsible; but the arrangement of the detailed programmes of study has been largely the work of the different Editorial Boards and divisional Editors, who have also read the manuscripts prepared under their direction. The acceptance of a monograph in this series, however, does not commit the editors to the opinions or conclusions of the authors. Like other editors, they are asked to vouch for the scientific merit, the appropriateness and usefulness of the volumes admitted to the series; but the authors are naturally free to make their individual contributions in their own way. In like manner the publication of the monographs does not commit the Endowment to agreement with any specific conclusions which may be expressed therein. The responsibility of the Endowment is to History itself—an obligation not to avoid but to secure and preserve variant narra-

tives and points of view, in so far as they are essential for the understanding of the War as a whole.

J. T. S.

It should be stated that the present volume was originally planned to form part of another series, the 'Preliminary Studies of the War', undertaken at the suggestion of the Director of the Division of Economics and History in 1917. In fulfilment of that programme, Professor Greven, as Dutch member of the Committee of Research, was requested to secure a monograph which should deal with such topics as 'the result of the direct outlay which the war is causing, the effect of the reduction of general wealth on the condition of each class of the people, on the various movements for improving the status of labourers, on the earning powers of labourers themselves'. Professor Greven was happy to find in Dr. M. J. Van der Flier a competent economist who was willing to undertake the task, although fully aware of the difficulties due to incomplete materials and the intricacy of the subject. The following pages bear witness to the skill with which the available source material was used, and the facts made intelligible for the non-technical reader. It was partly due to these and other merits of the work itself that, although completed as early as 1919, it was finally decided to include it as a number in the present series. The later development of Dutch finances, as shown in the post-war years, will be described in a complementary essay.

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CHAPTER I

GENERAL INFORMATION CONCERNING THE NETHERLANDS

THE Netherlands, with an area of only 34,185 square kilometres, or 12,741 square miles, is one of the smallest countries in the world. In Europe, only Belgium and Luxemburg—ignoring certain miniature states—are in this respect inferior to the Netherlands. On this small patch of ground live and toil an exceedingly large number of people. On December 31, 1914, the Netherlands had no less than 6,339,727 inhabitants, or 185 persons per square kilometre, being in this respect surpassed only by Belgium, with 252 inhabitants per square kilometre, the country which most closely approaches it in density of population. England has only 144 inhabitants per square kilometre.

From time immemorial the population of the Netherlands has found its principal means of livelihood in agriculture, commerce, and various industries. The latest census of occupations (1909) gives the following figures :

Occupation	No. persons employed	Per cent
Agriculture	616,395	10.55
Commerce and transportation	409,570	6.98
Industry	782,382	13.35
Fishing and hunting	23,182	0.39

Soil and situation are greatly in favour of the Netherlands. Dutch cattle, dairy products, such as cheese and butter, vegetables, fruit and flowers find a ready market in all parts of the world. That commerce and transportation could not but thrive in the Netherlands will be readily understood by any one who glances

at a world map. Situated on the most extensively navigated sea in the world, comprising the mouth of Europe's most important river, traversed by a large number of waterways, the Netherlands is destined to become a gateway for goods in transit from and to Central Europe. Accordingly, transit trade has developed immensely. For centuries the Dutch have gained by navigation a reputation that has extended far beyond the boundaries of their country, and colonial possessions of immense wealth. To a large extent their industry depends upon their commerce, being either originated by it or serving it. Independent industries are rare in the Netherlands. Not until lately has it begun to follow the example of the leading states, showing a tendency to become a manufacturing state, i. e. a state in which industry puts its mark on the labour of the population.

Another rich source of prosperity is sea-fishery. From various seaports, among which Scheveningen ranks first, a large number of steam and sailing fishing-boats go out to catch herring, yielding a profitable business to a large number of ship-owners and those engaged in kindred occupations. Dutch herring—'Dutch sweet-meat of the sea'—finds a ready market not only at home but also in Germany, Belgium, and the United States.

While the Netherlands at the outbreak of the war enjoyed a period of general prosperity, this had by no means been the case during the whole of the preceding century. At the beginning of the nineteenth century extreme depression reigned in the country, and many a year of immense exertion had to elapse before she was ultimately raised to her present height.

Napoleon, in his endeavour to gain sway over the world, ruthlessly abused the national strength of the Dutch. In the Napoleonic era commerce and navigation were suspended, the merchant fleet was destroyed, thousands of persons were deprived of their ordinary means of livelihood, and the national wealth was considerably weakened by the levying of heavy taxes and loans, even to such an extent that in 1810 state bankruptcy could be avoided only by a forcible reduction in the interest on the national debt. The economic and mental depression which resulted were felt for years after.

Although the Netherlands, when they recovered their independ-

ence at the end of 1813, had the good luck to chance upon a prince of broad mind and great perseverance in the person of their first king, William of Orange, the nation itself lacked the necessary energy and showed little inclination to follow the sovereign in his designs. Commercial enterprise had been extinguished to a large extent, and for the time being people contented themselves with drawing profits from the colonies which had been left to them. The Dutch East Indies, or rather the Isle of Java, became the centre of their national commerce and industry. Chiefly colonial products were brought by the vessels to Dutch ports, and for many years after the seaports subsisted chiefly on them. More than ever the East Indies, according to a trite Dutch saying, were the cork on which the Netherlands floated.

Nor was the reconstruction of the Netherlands, after the French supremacy, promoted by Belgium's being united to them, which Union had been concocted at Vienna. The interests of the Northern and Southern Netherlands were too widely different, especially in tariff questions, for this artificial combination to be profitable. While it was felt in the north that for the restoration of the former extensive commerce and navigation the system of free trade was the more advantageous, the Belgian section, on the contrary, desired the continuance of protective duties. Through the continental system the Belgians had been able to develop extensively their iron and steel industries, and they now looked to protectionism for support against the imminent invasion of sharply competing English manufactures. The secession of Belgium took place in 1830. It was unfortunate that the separation of north and south could not have been brought about without resort to arms. The Netherlands sustained great financial losses through the necessity of keeping her army at war strength for years after, until in 1839 a definitive settlement was at last achieved.

Again state bankruptcy was threatened. The annual interest on the national debt amounting, before the secession of the Belgian provinces, to 26·5 million guilders, chargeable to both north and south, had increased to 39 million guilders, for which only the north was responsible. Still, better times were in sight. A great loan, followed by a conversion in 1844, re-established our finance,

and for many years large sums of money came from the colonies, as profits from the government plantations, and strengthened the financial position of the mother country. The colonies contributed large sums toward the redemption of our national debt and procured the means for the construction of productive works, especially railways.

The abolition of the protectionist system was deliberately aimed at. The mother country did away with all differential duties in 1850, and organized the new tariff of 1862 in a perfectly free-trading spirit; the Indies following in 1872 by likewise discarding all rights of preference and mitigating the tariff.

Our agriculture was the first to flourish. The abolition of the corn duties in England, the increased purchasing power of the industrial population in Belgium and England, the opportunity for prompt exportation by railway or steamer—all these were favourable factors, indeed, that after about 1850 initiated a period of great prosperity for our agriculture, which period, lasting for more than a quarter of a century, was justly spoken of as a ‘golden age’.

Commerce and navigation could follow the lead only after the sadly neglected entrances to our two large ports had been thoroughly improved and modernized. With the *Nieuwe Waterweg* (opened for navigation in 1872) Rotterdam got into connexion with the North Sea, which admitted of an enormous development of this harbour town, so eminently well situated for transit along the Rhine. Four years after the North Sea Canal was finished. It had been dug right across the province of North Holland, in order to furnish Amsterdam with a short road to the North Sea. The improvements mentioned above came just in time, since the opening of the Suez Canal initiated a period of immense expansion of international commerce. The prosperity of the farmers was not unrelated to the remarkable increase of national energy. From those days dates the establishment of our great steamer lines to our colonies and to America and the extension of our communications with the ports of the Mediterranean and the north and east seas. These naval communications wholly changed the aspect of the traffic in the ports. What had up to

that time been an almost exclusively colonial commerce assumed an international character; products from all parts of the world were imported into the ports, mostly in transit, but also for a steadily increasing home consumption.

In 1850 only 1,900 ships harboured at Rotterdam, but this number had increased five-fold directly before the outbreak of the war, the tonnage having increased 38 times. The city is developing into a port which rivals Antwerp, and which, on the Continent, is surpassed only by Hamburg. The total net tonnage of vessels which entered and cleared at the seven principal ports of the world in 1912 was :¹

	<i>Net register tons</i>
New York	28,835,000
Hamburg	24,942,000
London	24,050,000
Antwerp	23,907,000
Rotterdam	23,076,000
Hongkong	21,463,000
Liverpool	20,818,000

The port ranking next after the above in amount of traffic, i. e. Bremen, reached only 6,687,000 tons.

Closely related to the development of Rotterdam as a seaport is her traffic with Germany along the Rhine. Here, too, the figures speak sufficiently for themselves :²

RHINE TRAFFIC BETWEEN ROTTERDAM AND GERMANY

Year	Tons of 1,000 kilograms
1890	2,582,791
1900	7,845,544
1910	17,663,520

This rapid increase of commerce and navigation favourably influenced our industry. Shipbuilding and machine manufactures were first to develop into important industries. The number of shipbuilding yards increased to about 400, the Netherlands

¹ Paul Arndt, *Antwerpen, Rotterdam und die deutsche Rheinmündung* (1918), pp. 18, 19.

² The Weekly, *Economisch-statistische Berichten*, March 19, 1919, p. 281.

conquering the fifth place among the shipbuilding nations. This development is exhibited in the following table :

TONNAGE OF NEWLY BUILT MERCHANT SHIPS ABOVE 100 TONS

Year	England	Germany	America	France	Netherlands	Japan
1892 .	1,109,950	64,888	62,588	17,228	14,368	(1893) 1,132
1900 .	1,442,471	204,731	333,527	116,858	45,074	4,543
1913 .	1,932,153	465,226	276,448	176,095	104,296	64,664

The machine industry won renown for the manufacture of dredgers, in which the Netherlands ranks first, agricultural implements, installations for sugar manufactories, gas works, etc.

Also the textile industry, which by the abolition of differential duties was deprived of its favoured position in the colonies, was regenerated in the last part of the nineteenth century. It modernized its factories and made new connexions, finding new markets all over the world.

While commerce and industry increased in importance and extent, agriculture, after its period of prosperity, had a very bad time. The immense quantities of corn which, between 1870 and 1880, America brought to the European markets, considerably lowered prices. And while other countries tried to defend themselves by protectionism, the Netherlands remained faithful to free trade and met the brunt of this competition as best it could.

This decrease of prices continued from 1877 until 1895. At Groningen the price of wheat per hectolitre was : ¹

Year	Guilders
1861-70	10.10
1890	7.29½
1894	4.65½
1895	4.79

The value of our crop was estimated at 204,313,000 guilders in 1871-80 and at 144,682,000 guilders in 1886.² the decrease in value of our live stock during 1883-6 being calculated at 67,989,000 guilders, the prices of cattle having decreased considerably by reason of over-production.

¹ *De Nederlandsche Landbouw in het tijdsvak 1813-1913* (ed. by the Department of Agriculture), p. 23.

² *Ibid.*, p. 27.

After 1895, however, notable improvement set in. The prices rose—partly in consequence of restricted production, partly by the increased purchasing power and demand of the industrial population. In addition to this the Dutch farmer gradually learned to adapt himself to the changed circumstances. Where the cultivation of corn resulted in steady losses, the growing of sugar beet was substituted for it. This industry, especially of late, has greatly increased. The produce of sugar, in tons of 100 kilograms, has amounted to :

Year	Tons
1864-5	3,700
1899-1900	153,009
1912-13	279,000

Two other young industries—the manufacture of potato-flour and of straw-board—yielded fair profits to the agricultural population. Although they were inaugurated in the latter half of the nineteenth century, these manufactures produced in 1912 about 110 million kilograms of potato-flour and 272 million kilograms of straw-board.¹

Moreover, Dutch agriculture sought to improve its competitive position by excelling in quality. Agricultural instruction was fully modernized, the state offering all kinds of scientific information to the farmers—gratuitously for the most part. By registering horses and cattle an excellent means of control was acquired over the quality of these animals. Dairy products that were of good composition received a government mark, which furthered export. And, lastly, gardening was practised more intensively than ever.

Favourable results were not wanting, as is shown by sundry figures. The yield of all cereals on the same acreage increased considerably; for example, the average produce of wheat, augmented from 21·2 hectolitres per hectare in 1876-80 to 30·9 hectolitres per hectare in 1906-10; rye from 17·4 to 24·6 hectolitres per hectare during the same period; barley from 36·1 to 44·8 hectolitres per hectare.²

¹ *De Nederlandsche Landbouw in het tijdvak 1813-1913*, pp. 462, 464.

² *Jaarcijfers van het Koninkrijk der Nederlanden*, 1914, p. 210.

Our live stock in the years 1871-80 and 1913 consisted of : ¹

Year	Horses	Cattle	Sheep	Goats	Pigs
1871-80 . . .	264,239	1,438,059	895,826	150,196	346,193
1913	334,445	2,096,599	842,018	232,478	1,350,204

Trade in the vegetable and fruit markets increased from 8,183,107 guilders in 1908 to 19,847,775 guilders in 1914,² the net export of flower and other bulbs from 13,206,500 kilograms in 1908 to 22,812,320 kilograms in 1913.³

The statistics issued by the Government Central Bureau for Statistics contain a large amount of data, all illustrative of the economic prosperity which our country enjoyed during the last years before the war.

We take some at random :

The number of limited companies in 1903-4 amounted to 4,092, with a funded capital of 1.192 million guilders and an average annual interest of 4.97 per cent ; in 1912-13, to 8,722, with a funded capital of 1.899 million guilders and an average annual interest of 7.98 per cent.⁴

The amount of interior emissions, public debt not included, increased from 74.589,000 guilders in 1910 to 114 million guilders

¹ *Ibid.*, pp. 212, 213. The following table (J. Brandes, *Nederlands Welvaren*, p. 66) shows that the Netherlands may safely be compared to other countries in this respect :

Country	Date	Horses		Cattle		Pigs		Sheep	
		Per 1,000 hectares	Per 1,000 inhabitants	Per 1,000 hectares	Per 1,000 inhabitants	Per 1,000 hectares	Per 1,000 inhabitants	Per 1,000 hectares	Per 1,000 inhabitants
Netherlands	1913	98	54	617	336	397	220	248	136
Germany . .	1912	84	69	373	311	405	338	107	90
England . .	1913	64	45	340	236	101	70	661	459
Belgium . .	1912	84	35	631	247	465	182	64	25
Denmark . .	1909	137	198	578	235	376	544	186	269
France . . .	1912	60	81	247	371	129	177	307	416

² *Jaarcijfers van het Koninkrijk der Nederlanden*, 1914, p. 217.

³ *Ibid.*, p. 231 ; *Jaarcijfers*, 1913, p. 217.

⁴ *Ibid.*, p. 209 ; *Jaarcijfers*, 1914, p. 223.

in 1913.¹ This points to energy and zeal. The impression is confirmed by much other data exhibited in the following table of factories and power-plants : ²

Year	No. factories	No. power-plants	Area supplied
			<i>Square metres</i>
1881 . .	2,831	3,664	89,275
1913 . .	5,019	7,681	381,041

We may also point to the great extension of foreign trade. The average imports (goods in transit not included), valued at 2,337,100,000 guilders in 1901-6, rose to 3,444,100,000 in 1907-12 ; the export during the same period from 1,929,300,000 guilders to 2,554,300,000 guilders.³

The revenue from import duties alone, with unchanged tariff, increased from 9,916,000 guilders in 1901 to 17,022,000 guilders in 1913.⁴

Savings likewise exhibited most extraordinary figures. At the state Postal Savings Bank the deposits on December 31 were : ⁵

Year	Total	Per capita
	<i>Guilders</i>	<i>Guilders</i>
1890	21,251,000	4.65
1900	84,697,014	16.35
1906	139,683,286	24.62
1913	183,791,105	29.58

The private savings banks showed the following figures : ⁵

In 1890 : 256 private savings banks, with a total deposit of 61.5 million guilders, or 13.48 guilders *per capita*.

In 1900 : 300 private savings banks with a total deposit of 79.9 million guilders, or 15.44 guilders *per capita*.

In 1913 : 377 private savings banks with a total deposit of 129.7 million guilders, or 20.89 guilders *per capita*.

¹ *De Nieuwe Financier en Kapitalist* (newspaper), January 6, 1911 ; *Jaarcijfers*, 1914, p. 291.

² *Jaarcijfers*, 1916, p. 217.

⁴ *Ibid.*, p. 317.

³ *Ibid.*, pp. 238, 239.

⁵ *Jaarcijfers*, 1914, pp. 155, 158.

The increase in receipts from the railways, the post office, the telegraph and the telephone, likewise exhibits a decided upward tendency.¹

RECEIPTS

Year					Railways	Post Office
					<i>Guilders</i>	<i>Guilders</i>
1900	.	.	.	.	40,556,000	9,700,000
1906	.	.	.	.	51,533,000	13,742,000
1913	.	.	.	.	73,323,000	18,790,000

LENGTH OF TELEGRAPH WIRES

Year					Kilometres
1901	.	.	.	.	22,884
1906	.	.	.	.	31,975
1913	.	.	.	.	38,242

LENGTH OF TELEPHONE WIRES

Year					Kilometres
1901	.	.	.	.	15,770
1906	.	.	.	.	36,679
1913	.	.	.	.	93,144

The same may be said of taxes. The four branches of direct taxation yielded, with nearly unchanged rates, 35,163,000 guilders in 1895; 39,104,000 guilders in 1905; and 53,035,000 guilders in 1913.

In 1913 the amount of these taxes *per capita* was 8.6 guilders; in 1891–1900, an average of 6.79 guilders.² The taxable value of property, with the exclusion of landed estates, which in 1894–5 amounted to 5,408,072,000 guilders, in 1914–15 amounted to 7,680,349,000 guilders³; the taxable income amounting to 420,850,000 guilders in 1902, increased to 751,583,000 guilders in 1913.⁴

¹ *Jaarcijfers*, 1908, pp. 245, 253, 256; *ibid.*, 1916, pp. 286, 295, 298.

² *Ibid.*, 1915, pp. 335, 336.

³ *Ibid.*, p. 169.

⁴ *Statistiek der Rijksinkomsten*, 1913, pp. xxxv, xxxvii; *ibid.*, 1914, p. xlii.

Of the three colonies, the Dutch Indian Archipelago remained for the whole of the nineteenth century a rare source of prosperity. Immense capital was invested in the rich soil, the exploitation remaining in the hands of Europeans—Dutchmen for the most part—as the natives lacked the necessary energy. This large country of 1,896,537 square kilometres, in which lives a population of approximately 40 million people, seems predestined to play an important part in the process of international production. Before the opening of the Suez Canal it yielded nothing but such colonial products as tea, coffee, sugar, and spices. It has since begun to export a large number of other products, such as rice, maize, ground-nuts, coco-nuts, soya beans, and rubber.

There are signs now that Java, the principal island, is going to produce whole- and half-manufactured articles from her own raw materials, finding new and for the present unlimited markets in the rapidly developing districts of Australia and Western America. In this way she is exerting herself to become a separate centre of production for Asia, Australia, and America, hereby shifting commerce away from Europe even more.

Especially of late the rate of development has increased considerably. Illustrative of this are the following figures of imports and exports :¹

Year	Imports	Exports
	<i>Guilders</i>	<i>Guilders</i>
1898	179,821,000	217,754,000
1903	187,060,000	274,434,000
1908	280,561,000	470,715,000
1913	493,341,000	683,945,000

Financially the position of the large colony in 1914 was very strong indeed. After the mother country had borrowed a huge amount in behalf of the colony, the Dutch India budget was separated from that of the Netherlands, the colony raising her own capital.

The public debt before the war, amounting to 81.9 million guilders, was of small account to this rich country.

¹ *Jaarcijfers Koloniën*, 1912, p. 72 ; *ibid.*, 1916, p. 92.

The Netherlands was much less fortunate with its two other colonies, Surinam and Curaçao.

Surinam, with an area about five times as large as the mother country, has a population of less than 100,000 people, of whom only a thousand are Europeans; only 250 square kilometres are cultivated. This country is fertile and adapted to the cultivation of products such as sugar, maize, ground-nuts, etc. But the colony suffers from want of labourers, and attempts to import coolies from British India and Java have made but slight improvement. Of the group of islands in the Caribbean Sea, the Isle of Curaçao, with her exceptionally well situated port, is by far the most important. As a port for goods in transit and as a coaling station, a great future seems to be in store for her, in view of the increased navigation by way of the Panama Canal. Here, too, the native population of 80,000 inhabitants is of little economic account, because their welfare is kept down by the dry climate and, generally speaking, unfertile soil.

The relatively slight importance of the two colonies is exhibited by the following figures: ¹

Year	Imports		Exports	
	Surinam	Curaçao	Surinam	Curaçao
	<i>Guilders</i>	<i>Guilders</i>	<i>Guilders</i>	<i>Guilders</i>
1900 . . .	6,166,608	. . . . .	5,540,855	. . . . .
1906 . . .	6,273,180	3,620,452	4,749,567	1,034,016
1913 . . .	7,113,420	4,790,708	9,457,787	2,285,731

BUDGET ESTIMATE

Year	Surinam	Netherland Subvention	Curaçao	Netherland Subvention
	<i>Guilders</i>	<i>Guilders</i>	<i>Guilders</i>	<i>Guilders</i>
1902 . . .	2,385,000	216,000	734,000	189,000
1907 . . .	4,331,000	773,000	920,000	220,000
1913 . . .	4,280,000	809,000	1,232,000	402,000

The prosperity of the mother country was reflected in the

¹ *Jaarcijfers Koloniën*, 1915, pp. 175, 189; *ibid.*, 1912, p. 140; *ibid.*, 1917, pp. 182, 194.

growth of its population, which was continuous, owing to an increase of births and a decrease of deaths.¹

Year	Total population	Rate of increase	Total deaths	No. deaths per 1,000	Total births per 1,000 (living)
		<i>Per cent</i>			
1830 . . .	2,613,487	. . . . .	. . . . .	. . . . .	. . . . .
1840 . . .	2,860,559	0·91	. . . . .	. . . . .	(1840-9) 33·5
1869 . . .	3,309,128	0·79	. . . . .	. . . . .	(1860-9) 35·2
1889 . . .	4,511,415	1·18	. . . . .	. . . . .	(1880-9) 34·7
1909 . . .	5,858,175	1·39	80,283	13·7	29·1
1913 . . .	6,212,697	1·61	77,739	12·4	28·1

Of late years the average annual increase of population has been 80,000 or 1·5 per cent, although there was a continual decrease in the percentage of births.

The population of the Netherlands continues to exhibit a high birth-rate. As regards health it ranks highest, not a single country exhibiting so favourable a bill of mortality.

Country	Year	No. births per 1,000	No. deaths per 1,000
Germany . . .	1912	28·3	15·6
Austria . . .	1911	31·5	22·0
Italy . . .	1912	32·4	18·2
Switzerland . . .	1911	24·1	15·8
France . . .	1912	19·0	17·5
Belgium . . .	1912	22·6	14·8
England . . .	1912	23·8	13·3

Notwithstanding all this, the national budget did not look favourable. To satisfy the great demands of modern social life, especially as regards instruction and labour reforms, and to defray excessive costs of defence, required immense sums of money. The Minister of Finance more and more had to put forth his utmost endeavour to balance the budget estimates, and in this he ultimately failed.

¹ The latest census was held in 1909. Subsequent figures are taken from the communal population lists.

The increase is clearly exhibited by the following table of national expenditure during the last years before the war :

Year					Expenditure	Revenue
					<i>Guilders</i>	<i>Guilders</i>
1865	.	.	.	.	99,253,000	112,580,000
1875	.	.	.	.	118,911,000	119,838,000
1885	.	.	.	.	122,158,000	122,158,000
1895	.	.	.	.	133,297,000	132,458,000
1905	.	.	.	.	173,731,000	175,963,000
1910	.	.	.	.	203,947,000	200,092,000
1911	.	.	.	.	208,490,000	205,603,000
1912	.	.	.	.	224,666,000	213,401,000
1913	.	.	.	.	238,727,000	227,423,000 ¹

National expenditure is thus shown to have increased by 50 per cent during the last fifty years, and there has been an annual deficit ever since 1910. Yet the revenue had also increased considerably, without any notable change in taxation, as is clearly shown by the above figures.

In the last year before the war, eleven ministers were responsible for the expenditure, the government being divided into eleven departments, each under the sway of a separate minister. The budget estimates exhibit in specified chapters the expenditure of each separate department, and it contains, moreover, three distinct chapters :

Chapter I.—Civil List, being the expenditure for the Royal Family.

Chapter II.—Legislative Body and Royal Cabinet, containing the expenditure for the States General, etc.

Chapter XII.—Contingencies, voting a certain sum at the free disposal of the government.

The chapter on finance is again divided into two parts, one of them dealing with the expenditure for the national debt, the other with that of the departments.

Following the above classification, the expenditure of 1913 amounted to :

¹ *Jaarcijfers*, 1898, pp. 220, 221 ; *ibid.*, 1914, p. 324.

Chapter	<i>Guilders</i>
I.—Civil List	1,029,468
II.—Legislative Body and Royal Cabinet	816,168
III.—Department of Foreign Affairs	1,365,738
IV.—Department of Justice	11,061,456
V.—Department of Interior	39,794,988
VI.—Department of Marine	19,808,351
VII (a).—National Debt	38,021,168
VII (b).—Department of Finance	35,961,148
VIII.—Department of War	33,100,247
IX.—Department of Public Works, etc.	40,580,980
X.—Department of Agriculture	14,205,914
XI.—Department of Colonies	2,943,028
XII.—Department of Contingencies	38,213
Total	<u>238,726,867</u> ¹

or about 38 guilders *per capita*.

The Departments of War and of Marine are hereby seen to have demanded more than one fifth of the total expenditure. Wars of former times were chiefly responsible for the fact that about 10 per cent of the budget had to be devoted to annual interest and redemption of the national debt.

This national debt was of rather recent origin. When the Confederate Republic of the United Provinces in 1795 had to make way for the 'one and indissoluble' Batavian Republic, along with many more unifications, the various debts of the provinces and other liabilities of a more or less pronounced public character were consolidated. This was the origin of the Netherland national debt, which at that time may be estimated at 1,000 million guilders, or 500 guilders *per capita*, with an annual interest of 26.5 million guilders. The Napoleonic period greatly augmented the public debt until Napoleon put a stop to further increase by paying, after 1810, only one third of the annual interest, which meantime had increased to 139 million guilders.

On recovering our independence, the various national debts were reorganized and converted into: (a) the Netherland 'real' (interest-paying) debt, amounting to 616,940,678 guilders, with an annual interest of 2.5 per cent; and (b) the Netherland deferred

¹ *Jaarcijfers*, 1914, pp. 329, 331, 333.

debt, to an amount of 1,090 million guilders, temporarily not paying any interest. Now, of this second debt, 4 million guilders were annually to be converted into 'real' debt. The debt *per capita*, estimated according to its real value, then amounted to about 300 guilders.

Of the deferred debt, which of course had a very low market value, the still floating amount of 764,912,200 guilders was converted in 1841, 71,396,092 guilders being added to the 'real' debt.

The first half of the nineteenth century was highly unfavourable to the national finance. The reign of William I was a great drain on the revenues of the state, to which were added the great expenses caused by the forcible secession of Belgium.

As has been stated above, temporary relief was brought by the loan of Mr. van Hall in 1844, which went by the name of 'voluntary loan', though it was only partially voluntary, as a forced tax on capital was to follow if it was not fully subscribed.

After 1850 came a much more favourable period. For more than a quarter of a century, from 1850 to 1878, not only were no new loans issued, but no less than 240 million guilders were redeemed, for the most part in consequence of the large revenues coming from India. Thus the debt of 1,230 million guilders decreased to 912 million, the annual interest from 36,500,000 guilders to 26,500,000 guilders, and the charge *per capita* from 12 guilders to 6·5 guilders.

The insurrection of Atjeh put a stop to this uncommonly advantageous period. Moreover, there was a general feeling that the colony ought not to be exploited to such an extent.

Again the Netherlands repeatedly had to extend loans to defray the expenses of productive works (railways), but then the 4 per cent debt could be converted in 1886 into a 3·5 per cent debt, and this annual interest could again be lowered 0·5 per cent in 1896. But on the last pre-war loan, issued in 1911, an annual interest of 3·5 per cent had again to be paid, and the loan could only be placed at the rate of 96 per cent.

On January 1, 1914, the total nominal amount of the consolidated debt was 1,148,380,000 guilders, or 191 guilders *per capita*, with an annual interest of 32 million guilders, the charge being 60 per cent less than that of a century before.

The chief item of increased expenditure was education, which had become more and more expensive as the demand of the majority of the population for the endowment of private and public instruction on an equal footing was more consistently acted upon.

INSTRUCTION COST

Year	State	Provinces	Communes
	<i>Guilders</i>	<i>Guilders</i>	<i>Guilders</i>
1900	10,725,000	101,000	12,928,000
1905	15,075,000	158,000	15,488,000
1910	29,292,000	303,000	13,428,000
1913	33,383,000	424,000	17,203,000 ¹

In 1914 state insurance of labour had not progressed very far in our country. There was only an accident insurance, to which the state contributed the cost of administration. But a health, invalidity, and old age insurance were announced, which were to cost ever so many millions to the state. The Minister of Finance, Treub, estimated that on account of this insurance our budget would shortly have to be increased by 50 or 60 million guilders. Hence an increase of revenue was badly needed.

By far the most important part of the revenue consisted of taxes, and of these the indirect taxes yielded considerably more than the direct taxes.

In 1913 indirect taxes consisted of :

(a) *Import duties*, charges on half-finished and finished manufactures and varying between 2.5 and 5 per cent.

(b) *Excise duties*, on sugar to an amount of 27 guilders per 100 kilograms; wine, 20 guilders per hectolitre; spirits, 90 guilders per hectolitre; salt, 3 guilders per 100 kilograms; beer, 60 cents per hectolitre; slaughtering, 10 cents on the value per guilder.

(c) *Stamp duties*, charged on commercial paper and on some drafts, indicated by law.

(d) *Registration duties*, for certain acts.

(e) *Mortgage duties*, charged at the entering of mortgages in the state registers.

¹ *Jaarcijfers*, 1908, p. 57; *ibid.*, 1916, p. 73.

In 1913 direct taxes were :

(a) *A tax on income from trades and professions*, levying a duty from a minimum of 1 guilder on an income of 650 guilders to 148 guilders on an income of 8,200 guilders ; moreover, 3.2 guilders for each additional hundred guilders above 8,200 guilders. The tax on income from capital was somewhat higher.

(b) *A tax on capital*, charging from 1.4 per mille to rather more than 2 per mille on capital of 13,000 guilders and above.

(These two taxes constituted a 'divided' tax on income.)

(c) *A personal tax*, charged on the expenditure or the external circumstances of the tax-payers according to the standards of :

Rent : 8 per cent.

Hearths : from 0.5 guilders to 8 guilders per hearth.

Furniture : from 0.5 guilders on furniture valued at 140 guilders, to 73.5 guilders on furniture valued at 5,000 guilders. Moreover, 15 guilders for each increase in value of 1,000 guilders.

Servants : from 6 guilders to 50 guilders per servant.

Horses : from 25 guilders to 50 guilders per horse.

Cycles : 2 guilders per cycle.

Motor-cycles : 6 guilders per motor-cycle.

Motor-cars : from 60 guilders to 250 guilders per car.

(d) *Land tax*. A tax on the estimated annual produce of landed property, amounting to 4.86 per cent on houses and 6 per cent on land.

(e) *Legacy duties*. Although reckoned by law among the indirect taxes, they really belong to the direct taxes, as they cannot be shifted.

During the year 1913 the different sources of state revenue yielded :

Indirect taxes	Guilders	Guilders
Import duties		17,020,000
Excise duties		
Sugar	26,945,000	
Wine	1,559,000	
Spirits	28,903,000	
Salt	1,860,000	
Beer and vinegar	1,609,000	
Slaughtering	5,866,000	
		66,742,000
Stamp duties		6,724,000
Registration duties		8,010,000
Mortgage duties		847,000

Direct taxes	<i>Guilders.</i>
Tax on income from trades or professions	13,729,000
Tax on capital	11,016,000
Personal tax	12,899,000
Land tax	15,391,000
Legacy duties	16,755,000 ¹

Although the prospect of a necessary expansion of state revenues was not very pleasing, taxation could safely be increased without any danger to prosperity, the financial competence of the population having considerably increased during the last years preceding the outbreak of the war. Taxable national capital had augmented by 42 per cent since the introduction of the tax on capital in 1892. The taxable income, according to the tax on income from trades and professions, increased during the years 1893–1913 by 78·5 per cent. As to the method of bringing about this increase of revenue, there was much difference of opinion. The party which advocated an increase in the tariff that would have given it a protectionist character had received a minority vote in the election of 1913, when the tariff had been one of the election issues. Direct taxes were therefore resorted to. A plan for the introduction of a general income-tax had just been settled upon when the war broke out.

In the Netherlands, as elsewhere, the distribution of wealth was highly uneven, and sundry figures, if considered relatively, afford an alarming illustration of social inequality.

Of 583,839 persons assessed in 1914 for a collective income of 784,309,000 guilders, in accordance with the income-tax, 354,329, or more than the half, had an income of 1,000 guilders at most, and as the total income of this group amounted to 265,665,000 guilders, the remaining 229,510 had a collective income of 518,644,000 guilders.²

The disparity of landed property ownership is exhibited by the fact that of 209,156 farmers only 106,342, or a little more than 50 per cent, were possessors of the land cultivated by them.

The prosperity of the overwhelming majority of the population is but scant, only 60,000 people being able to keep servants

¹ *Jaarcijfers*, 1914, p. 326.

² *Jaarcijfers*, 1915, p. 170.

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above 18 years, 49,000 of these having to limit themselves to just one.¹

An indication of the highly straitened circumstances in which a large part of the population lives, lies in the building statistics. At the latest census in 1909, 859,231 people appeared to live in 237,295 rooms, none of them occupying more than one room. Among these were no fewer than 124,666 families, consisting of more than two persons.²

Small wonder that a large number of people are in need of public charity. In 1913 no less than 227,100 persons, or 3.59 per cent of the population, availed themselves of public relief.³

¹ *Jaarcijfers*, 1915, p. 123.

² *Bijdragen tot de statistiek van Nederland CLX Woningstatistiek* table i and iii.

³ *Jaarcijfers*, 1915, p. 143.

CHAPTER II

THE NETHERLANDS AT THE OUTBREAK OF THE WAR

THE economic effects of the outbreak of the war were the same in the Netherlands as in other countries. Commerce and traffic were brought to an almost complete standstill, and production was greatly hampered, chiefly in consequence of the mobilization.

But the shock was felt most severely by credit, which in the Netherlands, as also in all countries, is closely bound up with the economic and social life of the entire population. The people were panic-stricken. Those who had loaned money sought to recover it, and there was no buying or selling save for cash. Those who were able to do so purchased large supplies of food, often at fancy prices, and all further trading ceased entirely.

The demand for currency increased enormously. Gold and silver coins were eagerly sought, since even the notes of the Bank of the Netherlands were mistrusted.¹ Once in the possession of silver—gold was no longer in circulation, since the bank was not under obligation to redeem its notes in gold—the people hoarded it as far as possible, in fear of what the future might bring. But this served only to increase its scarcity. Moreover, the government itself was in need of currency. The national defence had to be organized regardless of cost, and as nothing could be bought without cash, that medium had to be provided.

The brunt of the burden had to be borne by the banks, especially the Bank of the Netherlands, which like the Bank of France had concentrated its efforts, especially in former years, on

¹ A common trick was to purchase a postal order for something less than 10 guilders (the smallest denomination of bank-notes) and make it payable to oneself or a friend. The purchasers paid for the order with a bank-note, but on cashing it he demanded even money—hence specie. To prevent this the Amsterdam post office gave notice that only even money would be accepted, and no bank-notes exceeding the amount of the order. This gave rise to a rumour that even the state mistrusted the bank-notes. Large advertisements appeared in the newspapers, in which prominent citizens exhorted their countrymen to continue using bank-notes as currency for that day.

the issue of bank-notes, having thereby become the depository of a great many other banks and of an overwhelming majority of private persons. Generally speaking, it may be said that the position of the Bank of the Netherlands as regards the covering of its notes and deposit accounts was strong in those days. Nevertheless it was insufficiently prepared for a crisis of such extraordinary character. On July 25, 1914, it had a metal reserve of 170,341,000 guilders against demand liabilities totaling 316,635,000 guilders.¹ Thus, its circulating notes and its demand of deposit accounts were covered in a proportion of about 54 per cent, the law requiring only 40 per cent. It was a serious matter, however, that only 8,228,000 guilders of this metal reserve of more than 170 million guilders were in silver, the remaining 162,113,000 guilders being in gold. What in normal times had strengthened its position, that is, the low proportion of silver in its reserves, now served to weaken it.

The bank was simply unable to supply the public demand for specie. Parting with its gold was quite out of the question, of course, owing to the dangerous position in which the country was placed. Nor could it be forced to do so, since the monetary system of the Netherlands is based on the limping bimetallic standard, the free coinage of silver being prohibited.

The bank adopted measures to protect itself. Its maintenance was absolutely necessary since the welfare of the entire population was dependent upon it. It put every possible obstacle in the way of the redemption of its notes, without, however, going as far as the Bank of England, which ordered a bank holiday and closed its doors for a week. In the offices located in the principal towns it opened only one window and forced people to wait several hours in order to obtain specie. On August 1, when its stock of silver had decreased to 2,986,375 guilders, it went still farther and ordered that nobody could obtain silver for paper in an amount exceeding 100 guilders at a time; and two days later this limit was lowered to 25 guilders.

Meanwhile, the government rendered prompt and effective assistance towards relieving the momentary perplexity. A royal

¹ For these and similar data, see the annual statements of the Bank of the Netherlands.

decree of July 31, 1914,¹ prohibited the exportation of gold on account of the rise of London exchange, which in the first days of the crisis went far above the gold point of export. This decree was unprecedented in the history of Netherland legislation; as a matter of fact, it was contrary to law, since prohibition could be established only with the co-operation of parliament, and it had to be justified by a subsequent act—a bill of indemnity.

Although a decrease in the stock of gold was in this way prevented, nevertheless on the same day the government adopted a measure which rendered possible a great extension of circulation. It ordered that henceforth only 20 per cent of the reserve against demand liabilities had to consist of precious metal, this being half of what had previously been obligatory. This step was taken in the nick of time, for the next day's statement showed that the bank, if it had adhered to the former regulations, would already have fallen 15 million guilders below the legal minimum. Now, however, the bank could point to an excess metal reserve of 75 million guilders, permitting it to augment its note circulation, which in the preceding week had increased from 310,437,000 to 427,919,000 guilders, by no less than 375 million guilders.

A third governmental provision made it possible, if necessary, to do away with all difficulties connected with the redemption of bank-notes. This was an act of August 3, 1914,² authorizing the government to suspend the redemption thereof. In reality, this measure was not carried out, the position of the bank leaving no occasion for it. But the fact is that it had been taken more especially as a precaution, and the government was not in the least inclined to enforce it. It aimed at preventing or limiting, as far as possible, any moratorium, and at putting the fewest possible difficulties in the way of financial transactions.

Still, the problem of how to provide for the extraordinarily increased demand for small currency was not solved thereby. The bank was not authorized to issue bank-notes in denominations of less than 10 guilders, and it was precisely currency of lesser value that was needed. Neither the bank nor the government had any silver (coins or bullion) in store, and the silver coins that were in circulation rapidly disappeared. Nothing was left for

¹ *Staatsblad*, 1914, No. 333.

² *Staatsblad*, 1914, 345.

the government to do, therefore, but to issue paper money. By an act of August 6, 1914,¹ the government was authorized to issue silver bonds in denominations of 1 guilder, 2½ guilders, and 5 guilders, which were to circulate as legal currency and were afterward to be redeemable in silver. This act likewise came in good time. Numerous communes had already issued paper money secured by bank-notes, and in some small places even private employers had resorted to paying their workmen in this way.

The Bank of the Netherlands did not limit itself, however, to the purely passive measure of refusing to redeem its notes. It did what every bank of issue does in times of crisis; it tried to temper the demand for credit, as far as possible, by the effective means of raising its discount rate. On July 29 it raised the rate, which since March 1914 had been lowered from 4 to 3·5 per cent, to 4·5 per cent; and on August 1 again to 6 per cent. On August 20 the rate was lowered to 5 per cent, at which level it was maintained for a considerable time.

The extent to which the Bank of the Netherlands was put under strain in the first days of the crisis is shown by the following table:

	July 25, 1914	August 8, 1914
	<i>Guilders</i>	<i>Guilders</i>
Domestic bills	67,947,000	175,657,000
Foreign bills	20,188,000	16,400,000
Private loans	61,686,000	140,154,000
Advances to the state . .	12,444,000	14,131,000
Total	162,265,000	346,342,000 ²

The private banks were also exposed to great danger. A regular system of deposit banking hardly existed in the Netherlands. It was the custom among persons who had ready money to place it with a bank in their name, to be loaned on call. The borrower was often a commissioner or a banker who himself had made loans to his clients on call and who used the bonds taken as security to obtain secured loans for himself in turn. The value of a large number of these bonds diminished with great rapidity when rumours of war began to be heard, and a catastrophe seemed

¹ *Staatsblad*, 1914, 377.

² *Annual Report of the Bank of the Netherlands*, 1914-15, pp. 32, 74.

inevitable. The primary lenders—for the most part large industrial establishments—demanded their money, and the banks in turn called in the re-invested sums. Now, if the final borrower had been able to satisfy his obligations, there would have been no danger; but this was not to be expected, since many merchants had fallen into straitened circumstances for the reason that their creditors had called in their loans, so that they themselves were unable to recover their invested money.

Not to pursue this matter into its details, it is obvious that an insistence by each party upon his rights would have entailed a succession of bankruptcies.

The parties had to join hands and help themselves. On July 29 the Amsterdam Exchange was closed by order of the board of directors, who thereby averted the most imminent danger, as the customary call-loan regulations included a provision that a loan could be called only on days when the exchange was open. Now that the exchange was closed the calling of loans was accordingly impossible, and all execution was thereby prevented.

As regards deposits and reserve against current accounts, equally novel protective measures were adopted. Although the chief financial institutions were strong enough to meet the demands for withdrawal of deposits—two large banks having paid out about 50 million guilders in two days—this was of course beyond the power of the small and middling banks. The latter, although legally bound to pay their deposits, bluntly refused to do so, finding the necessary support in mutual solidarity. Many of them were united in a rural association of bankers and brokers, and the directors of this association issued a circular urgently requesting members thereof, in paying depositors, to limit themselves to what was necessary for subsistence, wages, or undeniable obligations, and not a few of them were more than glad to comply with this request.

While the closing of the Exchange could be prolonged for a month or more without further regulations, it is evident that so purely passive a means of defence as the blunt refusal to repay borrowed money could not be long persisted in. Moreover, the enormously increased demand for credit had to be satisfied, if only in part.

As early as July 31 the banking world organized a systematic assistance. A large number of financial institutions agreed on the formation of a guaranty syndicate, the members of which placed at the disposal of their clients a total credit of 200 million guilders against the most varied security. This credit was to be paid by the Bank of the Netherlands through the medium of an existing league of financiers who were to examine and sign the requests. Thanks to the quick abating of the tempest, however, only slightly more than 23 million guilders were borrowed out of the 200 million that had been promised.¹ The extraordinarily high rate of interest which the lenders demanded, not only for these credits but also for the already existing loans, also contributed to this result. The rate had been fixed at 2 per cent above the bank interest for secured loans, so that the borrower had to pay 10.2 per cent in the month of August.²

It is true that the severity of this measure restrained people to some extent, but at the same time it created great discontent, since the public could not understand the reasonableness of such exorbitant profit-making on the part of the bank.

The savings banks also had a very bad time of it.³ Whereas in normal times a daily average of about 200,000 guilders was paid out by the state Postal Savings Bank, no less than 12 million guilders (fifteen times the daily average) were paid out on July 30 and 31 and August 1 and 3, that is, in four days.

On August 3, when the climax of the financial crisis had been passed, a royal decree was issued authorizing the directors to postpone the term of payment for six months, the ordinary term being two weeks. The difference was exorbitant, and to mitigate the hardships that might result it was ordered that in the meantime an amount of 25 guilders at most might be drawn weekly. This amount of 25 guilders was considered by many bankers sufficient to satisfy the most urgent needs of their depositors for the first weeks.

While people in this way succeeded in withstanding the first shock, relief came unexpectedly soon. Public credit recovered

¹ M. W. F. Treub, *Oorlogstijd-Herinneringen en Indrukken*, pp. 209 *et seq.*

² Interest at 9 per cent and a commission at 1.2 per cent.

³ For these and similar data see the annual, *Financieel Jaarboek*, 1914, ed. of *De Nederlandsche Financier*, published at Amsterdam.

to such an extent that the dangerous weaknesses could easily be surveyed and preparations could be made for definitive measures. The actual credit crisis did not last a fortnight. Although the apprehension of the population continued, by the middle of August the banks were functioning normally again, generally speaking, and credit was again available, if at high interest.

This prompt abatement was due chiefly to the fact that it soon appeared that the belligerents did not intend to draw the Netherlands into the armed conflict. The feeling of relaxation was clearly reflected in the movement of withdrawals and deposits in the state Postal Savings Bank, an institution which beyond any other is patronized by the masses, nearly one-third of the depositors being labourers.

Another highly important factor was that very soon, indeed, a clear perspective for the immediate future began to outline itself. The stoppage of railway traffic, and the prohibition of the exportation of nearly all articles, frightened those concerned in it to such an extent that they at first gave way to despair and assumed a passively expectant attitude. Although the retailers of food supplies did splendid business on account of the general public alarm until they were sold out, the sale of everything that smacked of luxury ceased entirely. The same applies to the export trade. Agriculturists especially, whose products such as fresh vegetables and fruit were perishable, were thrown into a state of tremendous alarm. Expensive vegetables were sold for a song, and ripe fruit was left to rot on the ground, as it did not pay to take it even to the nearest market.

But within a fortnight after the outbreak of the war, both belligerent parties began to draw from the Netherlands materials for the economic war. The demand for articles of exportation, which had lain dormant for a moment, now returned with a greatly increased intensity. The government, now that large profits were in sight, complied too readily with the wishes of greedy producers and merchants. The frontiers, originally closed from a motive of security, were opened again, and large quantities of products were drawn away with the greatest velocity by the insatiable foreign demand, with the result that a veritable stream of gold flowed into the country.

As early as August 14 the Bank of the Netherlands reacted to the altered situation. It lowered the interest on loans on security and on running accounts by 0.5 per cent, and six days later proceeded to reduce the entire bank interest by 1 per cent. On August 20 the private banks lowered the call rate to 8.2 per cent, fully 2 per cent below the rate at the beginning of August. Positive evidence that a change had set in was furnished by the fact that the rate of exchange on England, which at the beginning of the crisis had risen to 12.4 guilders, that is, to 0.26 guilders above par, in September fell to the extraordinarily low rate of 11.7 guilders. That a sense of relief was felt by the whole population is shown by the attitude of the public toward the state Postal Savings Bank. From August 4 the number of withdrawals decreased considerably, as shown by the following table :

WITHDRAWALS						Guilders
Date						
July 29	.	.	.	.	.	362,265
July 30	.	.	.	.	.	1,035,187
July 31	.	.	.	.	.	2,585,202
August 1	.	.	.	.	.	4,821,379
August 3	.	.	.	.	.	3,718,405
August 4	.	.	.	.	.	514,758
August 5	.	.	.	.	.	517,950
August 6	.	.	.	.	.	335,884
August 7	.	.	.	.	.	175,613 ¹

It is small wonder that the government could now the more authoritatively withstand the still existing demand for the introduction of a legal moratorium. A practical moratorium had already been introduced, as we have before observed, by several banking institutions of their own free will. Examples of this were the closing of the Exchange, the redemption of only a limited amount of bank-notes by the Bank of the Netherlands, and the refusal to pay out deposits or the payment of only small sums.

To some extent the government had to follow suit. The Minister of Justice had exhorted all legislative bodies, in a circular of August 5, to grant respite as far as possible to persons who on account of the extraordinary circumstances were temporarily unable to meet their obligations, and the tax officials were not

¹ *Annual Report of the Postal Savings Bank, 1914, pp. 3, 4.*

allowed to execute on account of unpaid taxes. In the main, however, matters stopped there.

The arbitrary defensive attitude of the bankers had been a welcome support to the government. Mr. Treub, then Minister of Agriculture, declared that the government had come to the conclusion that a legal moratorium was unnecessary, now that the available means were to be reserved as far as possible for those who really needed them.

It is interesting to observe that of all the measures aiming at a practical moratorium this one, to which the government referred in justification of its attitude, was the first to be done away with. But two other measures adopted at the beginning of the following month obtained a legal basis which was continued during the further course of the crisis. The closing of the Stock Exchange was legalized by the so-called Exchange Act of September 4,¹ which was issued to prevent the execution of callable contracts—hence to protect the borrower and to secure a smooth settlement of call loans. The Minister was to fix the value of securities, and the execution rates were also to be established by the government. These latter rates were of importance for the reason that an executor was forced by the Exchange Act to buy the security himself at the fixed rate if nobody else offered a higher price for it.

The act provided, moreover, that if only the borrower took care to keep his securities assessed at the fixed rate—20 per cent above the value of the money borrowed by him—he would be entitled to a continuance of his loan until six months after the conclusion of peace. But he had to announce before March 1, 1915, whether he wished to avail himself of this privilege.

All this was not to become of practical value until after the Exchange was reopened, all execution being out of the question until then. The time of the reopening was to be fixed by the Minister. That henceforth the operations on the Exchange would be subject to the supervision of the Minister, both opening and closing depending on him, goes without saying.

On September 4 there came into force the so-called Bill of Postponement,² which improved on the above circular of August 6,

¹ *Staatsblad*, 1914, 445.

² *Ibid.*, 444.

containing a legal provision that a debtor sued by his creditors, if his financial difficulties were due to the extraordinary circumstances, could at any time get from the judge a six months' delay for repayment.

In the meanwhile the kind of assistance that had been offered to restore public credit proved to be defective. The above-mentioned guaranty syndicate lent its aid primarily to financial institutions and large industrial establishments, and in a lesser degree to the middle classes, which, however, stood as much in need of credit and were consequently victimized. With the help of some large banks, a general Central Dutch Credit Bank for the middle classes was founded on September 19. This bank was to become a centre of credit for several middle-class banks, most of which had been co-operatively organized and established during the last years after the German model. It was not long before the government began to render financial aid to this new central institution.

On August 3 several new provisions were added to the Alienation Act, the bill which passed in one day through all phases of discussion in parliament, the usually printed drafts being replaced by written ones. They authorized the government to fix maximum prices for the most necessary articles of daily use, with a right to seize them in case of transgression.

Just a week later the highly important Royal Relief Committee was established on the personal initiative of Queen Wilhelmina. This committee was destined to become the centre of the local relief committees which had everywhere been organized and had set themselves the task of relieving, as far as possible, all those who had come to grief through the extraordinary circumstances of the war and who did not belong to those elements of the population for which special measures had been taken. This national committee in the first place tried to collect as much money as possible. As we shall further on have occasion to return to this category of measures in another connexion, the above information will suffice for the present.

The government helped itself to currency in the usual way. In the Netherlands, as elsewhere, the bank of issue was then and afterward the inexhaustible producer of currency, so that the

government was sure not to ask for help in vain. As in other countries, economic theories were set aside for measures which, though leading to immediate success, were calculated to prove objectionable in the future. The act of August 3¹ approved the first war credit of 50 million guilders and authorized the government to issue treasury bills, i. e. short-term national bonds running for a year at the most. These bills could at any time be disposed of at the Bank of the Netherlands, which gave bank-notes in return for them.

This early need of a floating debt was caused by the unfavourable condition of the exchequer. At the beginning of the crisis no less than 84 million guilders of floating debt had been issued, by far the greater part of which—69 million guilders—had been used for advances of money to the Dutch East Indies. While the preparations were being made for a loan of 100 million guilders, chargeable to Dutch East Indies, the crisis broke out and prevented the execution of this project, the realization of which would have redeemed by far the greater part of the floating debt.

With the 50 million guilders acquired so soon after the crisis, the Minister was able to finance the most urgent operations. The government did not call upon parliament until October for another credit of the same amount, by means of which it provided itself with currency in the same way as before.

The first shock being over, the time had become ripe for determining by what system the cost of the war was henceforth to be met. Nothing in the previous policy of the government had favoured one possible plan rather than another. In borrowing the 100 million guilders the government had not for a moment wished to intimate how it preferred to raise funds for the future.

Now that it was clear that the war would last very much longer than the majority of our people had in the first days of August thought possible, the adoption of a definite financial system was, from a tactical point of view, highly desirable. Even before the end of the year 1914 the Netherlands, like most other countries, had made its choice and decided in what way it proposed to meet the expenditure, which there, as everywhere, would rise to amounts of which nobody could have had the faintest idea.

¹ *Staatsblad*, 1914, 352.

CHAPTER III

COST OF THE WAR FOR THE STATE

FROM the very beginning the Dutch government tried, as far as possible, to keep an accurate account of the country's war expenditures. The same course was followed throughout the war. Separate accounts were kept of the expenditures which might be assumed to be exclusively consequent on the war, i. e. expenditures which probably would not have existed in normal times. To this was added the amount by which the existing sources of revenue yielded less in 1914 than the estimated yield of ordinary times. The sum of the total positive extra expenditures and of the deficit of revenue constitutes the amount which in the official papers is always mentioned as crisis expenditures.

From a theoretical point of view this is not a deceptive method. Nevertheless, we must observe that the crisis expenditures are not fully exhibited by it. To be entirely adequate, the computation should have taken into account the positive budget expenditures which in normal times might have been avoided, as there would have been no increase of prices then and no other extra cost. Moreover the computation should have allowed for the normal increase of the remaining expenditures during the same period, the odds being added to or subtracted from the crisis expenditures in proportion to their exceeding or falling short of the normal increase. But such refinements would have made the results too uncertain for practical use. Even as it was, the government admitted that the account was not altogether free from hypothetical factors. First, the expenditures for defence could only be guessed at, ordinary and extraordinary services being hopelessly confused. The war budget estimates for 1914, when nobody expected war, were taken as a basis, and the subsequent estimates were made accordingly. The extra crisis expenditures were covered in supplementary estimates.

Greater still was the uncertainty in estimating the decrease of revenue due to the war. While the figures for the positive extra expenditures may be fairly correct if properly analysed, this is by

no means the case with the figures for the decrease of revenue. All estimates under this head could rest only on a very uncertain basis. There was no assurance that if the war had not come the increase of revenue would have held the same course as in former years. This course, by the way, had been vagrant enough. In 1907 the state revenue had increased by no less than one-third of the amount of the preceding year, whereas in 1908 the yield was less than in 1907. Then followed a period of fairly regular increase, but in 1913 the increase was nearly one and a half times as large as in 1912. During the war years, moreover, some of the former sources of revenue had been considerably strengthened, while others had been replaced by new ones—all this in the middle of the fiscal year.

It is impossible to state, says the budget report of 1919, what amount was received in consequence of these provisions. Nor did the government try to do so after the increase of taxation was aimed at in good earnest. After 1916 the entry 'decrease of revenue' disappeared.

So much for the defects in the computation of the crisis expenditures. It cannot be assumed that all the expenditure itself was unproductive and a direct loss to the nation, for there is no doubt that much of it was a gain to the economic life of the population. We may mention the expenditure for the government scheme of unemployment insurance, the expenditure for the support of newly established factories, and the money expended on labour insurance. Much of the expenditure, again, was to be looked upon merely as a shifting of wealth from one class to another. It came from the tax-payer and enriched those who supplied the government with goods and services. We will mention only the tradesman, who misused his monopoly by charging the state more than was necessary.

On the other hand, the war may really have cost the population much more than was exhibited by these figures. We have only to think of the loss of capital and of markets, which diminished production, of the prices charged by foreign monopolists with whom the Dutch customer had to deal, of the forced production with greater labour difficulties, and of the issue of considerable quantities of paper currency—all of them factors which contributed toward the increase of prices and not all of

them attributable to a shifting of wealth. Every one knows from experience how all this increased his expenses, and those expenses, though private, are indeed nothing but war expenditures.

The war was also responsible for the weakening of the power of resistance of a great many persons in consequence of insufficient food or clothing, for the diminishing or ruin of many a livelihood which was not counterbalanced by increase in the wealth of others, for the holding back of thousands of mobilized youths from fitting themselves for their future social position, and for other expenditures of a similar nature which cannot be computed in figures but which in the end had a very bad effect upon the national prosperity.

We give below the only possible general record of what was officially entered as the crisis expenditure, i. e. direct cost to the state on account of the war.¹

GENERAL RECORD OF THE CRISIS EXPENDITURE

In the Netherlands it is customary at the annual submission of the budget estimates to the Second Chamber for the Minister of Finance to give a record of the condition of the state finances in the so-called *Millioenennota*. The *Millioenennota* yearly submitted to the Second Chamber in September contain a great deal of data on the crisis expenditures, to which we shall have frequent occasion to refer in the following pages. Chiefly from this valuable material the following table of the total crisis expenditure during the years 1914–19 was compiled.

BUDGET EXPENDITURES

Year	Extraordinary	Budget deficit	War revenue	Total
	<i>Guilders</i>	<i>Guilders</i>	<i>Guilders</i>	<i>Guilders</i>
1914 . . .	84,105,073·68½	7,560,000	. . . . .	91,665,073·68½
1915 . . .	208,649,548·27½	4,240,000	. . . . .	212,889,548·27½
1916 . . .	256,050,340·83½	. . . . .	33,409,939·84	222,640,400·99½
1917 . . .	380,054,689·56	. . . . .	219,833,772·35½	160,220,917·20½
1918 . . .	637,431,127·30½	. . . . .	219,868,038·01	417,563,089·29½
1919 . . .	250,626,005·57	. . . . .	219,948,375·03	30,677,630·54
Total . .	1,816,916,785·23	11,800,000	693,060,125·23½	1,135,656,659·99½

¹ The crisis expenditure for provinces and municipalities remains out of consideration.

The available figures as shown in the following table, regarding the ordinary expenditure for the period 1913-19, show sufficiently the great charges which were laid on the state.

Year	Normal expenditure
	<i>Guilders</i>
1912	224,665,500·66
1913	238,726,865·56½
1914	275,168,203·98½
1915	295,834,939·58
1916	276,481,039·81½
1917	308,641,421·59
1918	413,505,512·88½
1919	560,570,069·86½

If the figures for 1915-19 are added together, the sum total proves to be :

	<i>Guilders</i>
Normal expenditure	1,855,009,499·66½
Crisis expenditure (1914 included)	1,135,656,659·99½

The requirements met by the positive crisis expenditure are of the most varied character. Most of them being easily recognizable, could be entered directly under separate heads. This was impossible in the case of the purely military expenditures, most of which appeared in supplementary estimates under heads which occurred on the budget estimates even in times of peace.

In dealing with Chapters VI and VIII (Marine and War) of the annual budget estimate, it was first calculated what amount would have been voted in normal times, the difference between this amount and the increased figures of the war years being considered as crisis expenditure. Still it is not impossible to discover for what purpose these supplementary estimates were voted.

In Supplement C of the *Millioenennota* of 1923 is found a survey of the crisis expenditure for the years 1914, 1915, 1916, 1917, 1918, and 1919, divided under a large number of heads, each with details as to the various supplies.

DETAILS OF EXPENDITURE

MILITARY EXPENDITURE

CRISIS EXPENDITURE

Year	Army	Navy	Total
	<i>Guilders</i>	<i>Guilders</i>	<i>Guilders</i>
1914	74,772,499	3,320,000	78,092,499
1915	183,788,111	4,144,201	187,932,312
1916	220,761,020	5,183,711	225,944,731
1917	242,870,916	8,967,517	251,838,433
1918	326,938,169	18,780,715	345,718,889
1919	120,212,451	5,904,544	126,116,959

The larger part of this expenditure was for purely military purposes, such as the purchase of arms, munitions, and provisions. Much was needed for this, to be sure, since our army, which at the beginning of the mobilization consisted of 200,000 men, was increased to 450,000 men in the course of the four war years. During this time the government, on account of the difficult position of the country, dared not contemplate a partial demobilization, grudging even the granting of leave. Not until 1917 did an improvement set in through a more prompt relieving of old levies by new ones and an extension of the circumstances that entitled one to leave.

Large sums, moreover, were spent on the support of the families of soldiers who had been called to arms. From the very beginning the state gave to these families such relief as was required to make up the necessary cost of living. If a family was shown to have other income, the allowance was withheld, even though the family lacked the fruits of the labour of the mobilized man. In the beginning, this allowance was too small. At the outbreak of the crisis it amounted to a maximum of 1 guilder daily for men enlisted in the militia and 1.5 guilders for men enlisted in the *landweer*. (To the *landweer* belonged the militiamen who had completed their term of seven years.) Even before the end of 1914 the allowance, by an act of December 31, 1914,¹ was increased to a maximum of 1.5 guilders and 2 guilders.

¹ *Staatsblad*, 1914, 664.

It was not until the spring of 1918 that a further increase took place. By an act of March 25, 1918,¹ the allowance was fixed at 3 guilders daily for all enlisted men.

Considering that the pay of a militiaman amounted originally to 0.2 guilders and afterward to 0.3 guilders daily, the family of a mobilized man appears to have had, until January 1915, a weekly income of 11.9 guilders ; until March 1918, 16.1 guilders ; and after that 23.1 guilders. The minimum required by a working-class family in a large town increased during the crisis from 15 guilders to 25 guilders weekly. Although the allowance was not very ample, as we have seen, still this service cost large sums of money to the state, as shown by the following table :

Year				Guilders
1914	.	.	.	9,427,000
1915	.	.	.	30,574,500
1916	.	.	.	28,791,400
1917	.	.	.	31,196,000
1918	.	.	.	46,154,000
1919	.	.	.	14,429,300
Total	.	.	.	160,572,200

The loss of national wealth, however, did not amount to this sum. In so far as the man who had a family to support had been engaged in really productive work which he had had to discontinue on account of the mobilization, the absence of this production was indeed a loss to society—a loss which found its financial recognition in the allowance that was granted. It was quite otherwise with those who did unproductive work, as servants, messengers, clerks, detailers, and others, whose work was far less necessary to the common wealth. Their idleness was no economic loss. The only difference was this, that the money which they usually received from their employers or their customers they now received from the state, i. e. from the tax-payer. Here, then, a shifting of income took place. What the employer no longer paid or the rival shopkeeper gained was provided by the tax-payer. Shifting also took place when the supporter of a

¹ *Staatsblad*, 1918, 174.

family was better off in the army than in private life. This surplus of wages had nothing to do with the loss of what he formerly earned as a private person ; it meant that through extraordinary circumstances a certain amount of power to purchase goods or services which until then had been in the possession of others had now to be ceded to him.

Of course, there are more entries of this kind which are not to be looked upon as actual loss, much of what has been said here also bearing upon the provision of supplies for the mobilized men—the clothing, boots and shoes, and food for which the state had to pay. Again, there may have been military works of more than purely military use, as the making and repairing of roads, by which social capital was rather increased than otherwise. To estimate, even approximately, the amounts which should or should not be entered as a direct loss is impossible.

EXPENDITURE FOR THE MAINTENANCE OF PRODUCTION AND THE DISTRIBUTION OF FOOD

At the beginning of the war the Dutch Government devised a scheme for the production and distribution of food, being forced to do so for the reason that production in the Netherlands is not sufficient for the sustenance of the population and the maintenance of the live stock, and importation is therefore of vital importance.

In 1913 the Netherlands produced : ¹

	<i>Kilograms</i>
Wheat	182,000,000
Rye	595,400,000
Barley	110,400,000
Oats	666,300,000

and imported for home consumption :

	<i>Kilograms</i>
Wheat	429,000,000
Rye	267,000,000
Maize	702,000,000
Barley	191,000,000
Oats	110,000,000
Wheat meal	183,000,000
Rye meal	21,344,000

¹ *Jaarcijfers*, 1917, pp. 206, 228, 229.

The belligerent countries immediately began to buy all kinds of articles, especially food, regardless of cost, which caused an enormous increase of prices and threatened to lead to a complete exhaustion of the supply of provisions in neutral countries. This, of course, could not be tolerated by the government, on account of the uncertainty of the future. Therefore it was forced to take the matter in hand.

First exportation had to be brought under control. This was done by an act of August 3, 1914,¹ which authorized the Crown to prohibit the exportation of all articles later to be indicated. Another act of the same date² aimed in the first place at checking the rise in prices. It authorized the government to fix maximum prices for food, household supplies and fuel, and, if necessary, to seize these articles from private persons at a fixed price, which, however, was not to exceed the maximum price established by the government.

In its power to prohibit exportation, the government had an even more efficacious means of checking the rise in prices. This power was employed not only to keep prices from rising above the legal maximum, but also to force a reduction. As early as the autumn of 1914 the government began to grant exemptions from the export prohibition for certain goods, such as butter and cheese, on condition that the producers should reserve part of their products at diminished prices for home consumption. The government also secured revenue from these export licences, working on the theory that the foreign countries, which continued paying fancy prices, should furnish the surplus to compensate for the loss which the producer incurred on his sale for home consumption.

This scheme, however, did not work in the case of cereals and various kinds of fodder and manure, since the domestic production of these products was by no means sufficient even for home consumption. Seizure might be employed to check an immoderate increase of prices, but could not prevent imminent want. The government, therefore, immediately took in hand the importation of corn—the most essential food product. It took over from the importers the contracts existing in the month of August

¹ *Staatsblad*, 1914, 344.

² *Ibid.*, 351.

1914, and began itself to buy from abroad. Although the prices in the producing countries began to rise with great rapidity, still the government did not intend to sell the corn and meal it had bought, at proportionately increasing prices. On the contrary, it maintained its low prices, being of the opinion that this principal national food should remain within everybody's reach. Hence, it sold at retail to our bakers and millers at a loss, which could be covered only by asking supplementary credits of parliament. During the whole course of the war the breadstuffs were supplied in this way, the population being enabled to buy bread at a price more and more beneath the cost price.

In the survey of the crisis expenditures of 1915 and 1916, the loss suffered by the state on account of the above policy is clearly indicated by the following entry.

Cost incurred through the provision by the government of whole-wheat bread, whole-wheat meal, and rye bread at reduced prices: 9,187,978·89½ guilders in 1915, 9,040,626·81½ guilders in 1916; total, 18,228,605·71 guilders.

In the budget of 1917 this entry no longer occurs, as the intervention of the government in the supply of necessities had been considerably extended in the meantime, due to the increasing deficiency of various articles, i. e. food for men and animals or the raw materials thereof.

The so-called Distribution Act of August 19, 1916¹ provided once for all for government intervention for the duration of the war. This act charged the Minister of Agriculture, Industry, and Commerce, to see to it as far as possible that an adequate amount of all food, fuel, and household supplies to be indicated by him should be available for all municipalities which might stand in need of them. The Minister was to buy these goods either in the free market or forcibly, i. e. by seizure. As soon as the municipal officers had received these goods they were to take care of the distribution in their respective communes. This distribution was to take place according to the ticket system, but with the restriction that it was not permissible to charge more than the maximum price fixed by the Minister.

Although the government in most cases had intended to fix

¹ *Staatsblad*, 1916, 416.

the maximum price at a rate that would cover the cost of production plus a moderate profit, this was not the case with food products of vital importance, which were indispensable. Here the increase of prices was limited as far as possible. The government, by the above-mentioned scheme, succeeded in covering the loss incurred in consequence of the inland distribution by taking for itself a part of the high prices paid abroad for such parts of the supply as were exported. This was the case with vegetables, margarine, butter, cheese, eggs, and fish. With many others, such as bread, milk, boots, and shoes, any such offsetting gain was excluded, the state incurring great loss through them. This loss rose to enormous amounts, wheat bread alone entailing an expenditure of 13 million guilders in 1916; 30 million guilders in 1917; and 72 million in 1918.

Still, this service was extended. The government went on gathering all kinds of necessities within the range of government distribution, the loss becoming proportionately greater with the continuation of the war, as the cost of carriage and of insurance increased.

The loss caused by this extension of state aid was officially figured at 10,562,474 guilders in 1916; 103,979,380 guilders in 1917; 175,474,094 guilders in 1918; total, 290,015,948 guilders.

Article 8 of the act ran:

If, in his opinion, the promotion of an efficacious distribution of goods, made necessary by the scarcity of provisions or other circumstances, should require it, we empower the Minister of Agriculture, Industry, and Commerce to order that the delivery of certain goods may take place only according to a scheme of distribution to be established by him.

Likewise in the case of other goods the government was authorized by this act not only to oppose inflation of prices by the fixing of maximum prices, but also to set up a scheme of conditions and measures of control which dealers had to obey under penalty of a complete stoppage of their business.

The government was faithfully assisted in this by the Netherland Oversea Trust Company—the N.O.T. This private organization, which had been established in 1914 by distinguished persons of the commercial, banking, and industrial world, succeeded in ingratiating itself with the governments of the belligerent

countries. Goods which had been granted to us exclusively for home consumption, and which, whether raw or manufactured, might not be re-exported to a hostile country, had only to be consigned to the N.O.T. to give next to absolute certainty against re-export. The N.O.T., together with the government, then took care that the goods should indeed remain in our country. For aside from the N.O.T. control, to which the importer had to submit his business, there was an official prohibition on export which usually facilitated supervision.

The N.O.T. was of double advantage to the government. As a private body it could consult with the belligerent countries, which otherwise would certainly have been the task of the government, and in doing so could bear refusals which the government could never have brooked. In this way the N.O.T. played the rôle of a non-official but fully sanctioned representative of the government and as such rendered splendid service. Another advantage was that in this way the importation of most articles was virtually centralized, which was of tremendous advantage to the government in the setting up of its scheme for distribution.

In the case of exportation there was no such close-fitting system. Although it was nominally the Minister of Finance who granted the export licences, in reality the several government offices did so, every group of articles having a corresponding office which granted the licences. Not until the end of the war, when the increasing barter of goods between our country and others also began to be an essential part of commerce, was the Netherland Export Company established.¹ It was a limited company in which the government exercised a preponderant influence, and without the medium of which no export could take place.

Matters became rather more difficult when the belligerent governments themselves began to interfere with the goods exported by their subjects to the Netherlands, in this way literally coining money as a result of the increasing deficiency of supplies in our country. This was especially the case with coal, for which the Netherlands was all but exclusively dependent on Germany.

¹ *Nederlandsche Uitvoer Maatschappij*—the N.U.M. Cf. p. 94, sqq.

Through a commercial agreement, which in November 1917 was established between Germany and the Netherlands, Germany succeeded in charging such an exorbitant price for her coal that the average price of coal produced in our country or imported from Germany rose to 58 guilders per ton, the actual cost price of Dutch coal being 18.9 guilders per ton. The government distributed the coal for home use with a subsidy of 3.15 to 3.6 guilders per hectolitre, and succeeded rather well in recovering this loss from industry, and at the end of 1918 it was computed that the state had contributed 22.5 million guilders toward the total expenditure of 50 million guilders which was needed for these subsidies.

The administration of this government service cost a great deal of money. An army of officials was appointed—2,000 for the supervision of the meat supply alone, the greater part of them, especially the lower clerks, earning comfortable salaries; a large number of premises—however scarce in these times—had to be rented by the state, and this required tremendous sums.

The budget records the following entries :

Cost of the temporary office for the distribution of corn and flour (Chapter X of the budget estimate): 21,970.13 guilders in 1915, 83,843.52 guilders in 1916, 526,103.05 guilders in 1917, 1,150,901.15 guilders¹ in 1918; total, 1,782,817.86.

Cost of temporary government offices and government committees for export, import, and distribution: 43,956.70 guilders² in 1915, 353,101.52 guilders in 1916, 1,071,369.39½ guilders in 1917, 3,254,686.65 guilders³ in 1918; total, 4,723,114.26½ guilders.

Cost of manufacture of refuse into cattle fodder: 59,775.09 guilders in 1917.

After the expenditure for army and navy it was the expendi-

¹ Including the government office for clothing and the government office for crisis affairs: cf. Act of June 7, 1919 (*Staatsblad*, 289).

² In 1915 subdivided into: cost of the committee for artificial manure, 2,051.50 guilders; cost of temporary government offices for the regulation of export, 37,147.28½ guilders; cost of government committee for control of the central administration office for the distribution of food supplies and of the government committees for control on the supply and export of food, 4,759.92 guilders.

³ Act of June 3, 1918 (*Staatsblad*, 1918, 323), *Memorie van toelichting*.

ture for food supplies which weighed most heavily on the state, as those items constituted about one-third of the total crisis expenditure.

By far the greater part of this expenditure was *cost*, in the real sense of the word. It tended to counteract the decrease of national strength that would have resulted in consequence of underfeeding ; but a net gain which would not have been secured without the expenditure in peace time is not to be imputed to it.

The large number of officials either did extra work, exclusively consequent on the war, as, for example, work of control, the remuneration for which was a real loss, or else work which at other times would have been performed by private enterprise. If the reward of this labour had entered into the market price, as was the case in ordinary circumstances, it certainly should not have been computed as expenditure ; if it was so computed, this was another abnormality due to the war, unless, indeed, the distribution price was artificially fixed below what the normal price would have been. In that case the consumer would have enjoyed an artificial saving not possible in normal times. This saving would have been an unnecessary charge on the cost of distribution and a shifting of incomes, by no means to be looked upon as war cost. The consumer would have been spared an expense which had been shifted to the shoulders of the tax-payer. This was not the case, however, since all distributed articles, in spite of regulation, rose above the price which in ordinary times would have been charged for them.

While it may be taken for granted that the cost of administration of the provision with regard to food constituted a loss pure and simple, as the labour necessitated by it would have been superfluous in time of peace, this was by no means the case with the much larger sums that went toward payment for purchased goods. Taken separately, any surplus charged beyond the normal price seems to be loss. Still, this holds good only in so far as the producer who gets hold of this surplus is a foreigner, one who does not belong to the national population and whose capital does not constitute a part of the national capital. If it is domestic producers who, through their monopoly, draw extra profit at the hands of the government, we have only a case of shifting, the loss

of the one (i. e. the tax-payer) being the gain of the other, while the national capital remains intact. But if the high prices were spent on the remuneration of extra labour, they certainly should be considered as actual expenditure. We shall refrain from any estimate here, fantastic figures being of no use whatever.

EXPENDITURE FOR RELIEF OF PARTICULAR PERSONS

Expenditure for the Royal National Relief Committee

During the war the state expended large sums on the financial relief of particular persons or institutions who had fallen into difficulties through extraordinary circumstances. This relief, which was amply offered also by private persons, was organized as soon as possible. To this end there was established the Royal National Relief Committee, the central organization which played so important a part in the lending of support to many persons whose livelihood was at stake.¹ Representatives of the most influential organizations of commerce and industry, and also of social work and philanthropy, were members of this committee, together with private persons and some high state officials. It offered to any one who wished to contribute toward the relief of the general distress an opportunity to place his gifts at the committee's disposal, thereby gaining the certainty that the money would be spent in the most judicious way.

The committee, according to the statement of Minister Treub, aimed at 'giving unity and force to the efforts at preventing and alleviating distress in time of war'. It kept faith with this self-imposed task. In the first place, it handed part of the money over to the local committees, and promoted the establishment of similar committees, as they were better adapted to the rendering of local support. If necessary, it also saw that the relief should be granted in a judicious way. Fully convinced of the necessity of making sure that the assistance which was offered should not degenerate into ordinary poor relief, but should keep its extraordinary and temporary character, enabling those who were thus supported to resume the battle for existence as soon as possible,

¹ Cf. M. W. F. Treub, *Oorlogstijd-Herinneringen en Indrukken*, ch. III (Voorkomen en lenigen van nood), sec. 1 (Het Koninklijk Nationaal Steuncomité).

it endeavoured with might and main to urge them on toward self-help. The same system was applied to the local committees themselves, to prevent their leaning exclusively on the National Committee. The central organization usually did not itself procure the full amount that was wanted, but saw to it that the parties themselves or others should also contribute toward the relief. When, for example, in the large towns hundreds and hundreds of tenants were no longer able to pay their rent, the National Committee organized a scheme of rent tickets, the local committee, with the help of the central organization, charging itself with half or a little more of the rent, on condition that landlord and tenant should agree on the settling of the other half, so that, on handing over the rent ticket, complete exemption from rent in arrear might be stipulated.

In proportion as our shipping decreased, there was an increase in the number of unemployed harbour hands deprived of their wages. At Amsterdam and Rotterdam a harbour reserve was established in 1917, comprising all these unemployed men. Henceforth, a fixed minimum pay was secured to them, amounting for Amsterdam to 12 guilders weekly, with a subsidy of 1 guilder for each child under 14 years. For Rotterdam, the subsidy per child amounted to from 0.75 guilder to a maximum of 6 guilders, and a bachelor received only 9 guilders.¹ Here, too, the National Committee acted only in co-operation with the local committees, and the parties each had to bear a share of the cost.

Wherever it was possible to sustain energy by fully taking away the character of relief from the support that was rendered, the Royal National Relief Committee did not fail to do so. For example, the bulb-growing and nursery concerns were touched to the quick by the war, although in normal times they had gained an ample livelihood from the demand of foreign countries for their products. This export was practically brought to a complete standstill, poverty and ruin hanging over whole districts. The Royal National Relief Committee helped a great many concerns over the crisis by repeatedly ordering large quantities of their

¹ Cf. the reports of the National Committee, *Bundel II*, pp. 4 *et seq.*; *Bundel X*, pp. 8, 9.

products, with which it adorned the gardens and parks of several social and philanthropic institutions. Many a man who had led an independent life, but who was threatened with ruin now on account of lack of credit, was supported by the Relief Committee, which advanced small credits to him, without the oppressing conditions which the banks stipulated. It extended its exertions still further, and, especially in the beginning, succeeded in taking many measures, or in making the government take them, which promoted the importation of raw materials from abroad, sustained production, prevented inflation of prices, or procured necessary food supplies at reduced prices for persons of small means.

All this demanded immense sums of money. But the social feeling which in those times of crisis stirred the population of the Netherlands, bringing the usually phlegmatic Dutchman into a state of deep perturbation, moved the wealthy to loosen their purse-strings and to send large contributions. From all parts of the world, from everywhere that Dutchmen lived, the Royal National Relief Committee received gifts, consisting for the most part of money, but also of goods.

The Queen took the lead in giving large sums, amounting on December 31, 1917, to 220,000 guilders. Up to January 26, 1915, there had been received from the Netherlands, 1,073,393·15½ guilders; from the colonies, 747,965·28 guilders; and from other countries, 122,164·43 guilders.

The state also granted a subvention to the Committee, which was later increased, as private liberality diminished with the continuation of the war. The subvention amounted to 800,000 guilders in 1914; 1,450,000 guilders in 1916; 5,500,000 guilders in 1917; 32 million guilders in 1918: total, 39,750,000 guilders.

The latest report¹ is sufficiently illustrative of the manifold exertions of the organization.

The larger part of these expenses would have been perfectly superfluous in time of peace, so that they may safely be entered as actual war expenditures. Although now and then a credit advanced by the Royal National Relief Committee may have acted productively, in most cases it was the very want of productive labour which caused the allowance to be granted. It is

¹ Annex I, *post*, pp. 140, 141.

possible that the flow of money may also have served toward the increase of social capital, as intensified building and breaking of new ground. Still, in proportion to the whole, this must have been of slight importance.

Expenditure for Unemployment Insurance

Through the sudden disorganization of social life, unemployment could not but increase immensely. This increase is exhibited by the following table of labourers insured against unemployment :

Date	No. insured persons	No. insured persons under arms	No. of unemployed insured members	Per cent. of unemployed persons
1914				
June . . .	73,656	—	—	6.8
July . . .	73,206	—	—	7.5 ^a
August . . .	60,907	7,397	12,937	24.2 ^b
September . . .	66,611	8,593	18,334	31.6 ^c

^a *Maandschrift van het Centraal Bureau voor de Statistiek*, Aug. 1914, p. 612.

^b *Ibid.*, Sept. 1914, p. 690.

^c *Ibid.*, Oct. 1914, p. 828.

It was among diamond cutters that unemployment was most serious, 40 per cent of them having been unemployed even before the outbreak of the war. This percentage rose to rather more than 82 per cent. Also the persons employed in building and transport, and also cigar-makers, suffered severely from the crisis.

Unemployment insurance was little developed in our country at the outbreak of the war. It had not yet been taken up by the state, and in only 32 communes was it supported by the local authorities. For the rest, the labourers had to help themselves. In these 32 communes, with the exception of The Hague, which had chosen the Norwegian scheme, the Ghent scheme had been adopted, a communal unemployment fund having been established. On certain conditions the local unemployment funds, which were formed by contributing labourers, could be supplemented by these communal funds. If unemployment set in, the private funds were entitled to a subvention of at most 100 per cent of the benefit allotted to their members. But on August 1,

1914, only 73,206 of a total number of about a million labourers profited by this provision. Hence the overwhelming majority, in case of unemployment, could not hope for this organized support. It was the local relief committees which in the first place had to be depended on to relieve them. The government understood that this kind of support, not being counterbalanced by any incentive to work, and lacking the control of the employed labourers over the unemployed ones, had great disadvantages in comparison with support by private unemployment funds. The Minister of Finance, Mr. Treub, therefore proposed a measure which aimed at giving the greatest possible extension to the institution of unemployment insurance. On August 22, 1914, he asked the various communal governments of those communes, where a local unemployment fund existed, to agree to the following scheme :

Any one having before August 1 contributed toward an unemployment fund during three months should be entitled, whether or not the existing regulations made other provisions, to a weekly allowance of 5 guilders, or 6 guilders for every married man or every supporter of a family, and of 4 guilders or 5 guilders for other members at the option of the communal government. Of the extra expenditure which in consequence of this provision would fall on the private unemployment fund, one half would be borne by the state and the other half by the communes.

Since with the immense extent of unemployment a complete exhaustion of both private and communal unemployment funds was to be expected, it was necessary to take precautions against bankruptcy when normal times returned. Hence it was provided that the last 25 per cent of both communal and private funds was not to be used but should remain intact. When reserves had fallen to this point, the government and the commune would share the remaining cost.¹

The Minister's recommendation was acted upon by each of the 32 communes, which encouraged him to propose a similar regulation to other communes and to try to establish unemployment insurance there also. The condition was dropped that the insured member before August 1 should have contributed during three months.

For the moment unemployment insurance was safe. Still, the temporary regulations had the drawback, now that the state and the communes paid part of the allowance, of practically

¹ Cf. *Maandschrift van het Centraal Bureau voor de Statistiek*, Aug. 1914, pp. 627-8.

taking away all initiative from the private unemployment funds, which were no longer concerned in the increase or decrease of the number of their members.

Two years later this difficulty was removed by modified provisions issued in a royal decree of December 2, 1916.¹ Instead of the supplement to the benefit paid to the unemployed members, a subvention was made to the unemployment funds themselves, amounting to a maximum of 100 per cent of the total contribution, the state and the communes taking an equal part of the cost.

The following table shows that this government scheme has been a great success :

Year	No. of private unemployment funds	No. of insured members	Total amount of benefits
			<i>Guilders</i>
1911	504	43,601	96,166·25½
1912	535	48,482	152,675·26½
1913	655	58,876	386,753·24½
1914	770	70,481	1,822,552·91
1915	1,131	89,865	2,498,696·09
1916	1,413	116,651	593,020·32
1917	1,709	142,870	778,939·04½
1918	1,701	165,003	1,203,924·07½
1919	2,445	216,334	1,821,870,88½ ²

Thus, the number of insured members during the period of the crisis was more than doubled.

The number of communes that adopted the government scheme amounted to 317 on July 9, 1917; 343 on January 1, 1918; 515 on January 1, 1919.

This scheme cost much money to the state of course, but the expenditure is of slight importance as compared with the other crisis expenditure.

The cost of the regulation of September 1914, until July 31, 1918, amounted to 2,151,240·08 guilders for the state and 1,746,176·85½ guilders for the communes.

In 1917 the cost of the regulation of December 1916 was 23,433·19 guilders for the state and 23,433·19 guilders for the

¹ *Staatsblad*, 1916, 522.

² *Jaarcijfers*, 1919, p. 155.

communes ; in 1918 the cost was 244,138·92 guilders for the state. The amount for the communes for 1918 was not available.

For 1919 the state expenditure was estimated at 1,200,000 guilders, of which amount the communes had to reimburse 500,000 guilders, as the state is in the habit of making advances to the communes along with its own subvention to the funds.

Not all of these expenses are by any means to be considered as pure crisis expenditure. Unemployment is a phenomenon which also occurs in ordinary times, so that the subvention would not fully disappear then. Only in so far as the unemployment was consequent on the war might the expenditure caused by it be looked upon as actual crisis expenditure. Some light is thrown upon this by the following index figures of unemployment for the state : ¹

Year	Per cent	Year	Per cent
1911 . . .	2·5	1915 . . .	12·0
1912 . . .	4·0	1916 . . .	5·1
1913 . . .	5·1	1917 . . .	6·5
1914 . . .	13·8	1918 . . .	7·5 ²

If we take the average index figure for the last three years before the outbreak of the war, i. e. 3·9, as a measure for comparison, the extent of unemployment on account of the war proves to be :

Year	
1914	3·55
1915	3·07
1916	1·30
1917	1·66
1918	1·92

} times the normal

Hence about 50 per cent of the total subvention granted by the state may be considered roughly as normal expenditure.

Expenditure for advancing credit to the middle classes

The unfavourable circumstances threatened to become fatal to many small industries, as their power of resistance is naturally

¹ These index figures point out the relative percentage between the actual days of unemployment for a week and the number of days, for at most a week, that all inspected persons might have been unemployed.

² *Jaarcijfers*, 1917, p. 99. *Maandschrift van het Centraal Bureau voor de Statistiek*, Mar. 1919, p. 266.

slight. Some concerns got into difficulties when the head of the business was called to arms and he had to be replaced by paid help. To sustain all these, a government committee for advancing credit to the middle classes was established in the spring of 1915 with a committee of execution for daily administration. This committee was authorized to grant a certain amount of credits to these undertakings on approval of the Minister of Finance, the state charging itself with at most 55 per cent of the risk. Interest during the time of the credit might be charged at 0.5 per cent above the discount rate of the Bank of the Netherlands.

In addition to the above-mentioned risk, the state also paid the cost of the execution committee and of the general committee, the actual cost of examination of denied requests, and the cost of advice and control as regards the book-keeping of the persons to whom credit was granted.

After the coming into force of this regulation, a large number of communes consented to charge themselves with the remaining part of the risk. This organization was made use of on a modest scale. The credit was usually extended through the medium of private banks.

The committee published more detailed data on its activities during 1915 and 1916 than on those of the following years.

Until November 1, 1918, 952 advances in all had been granted, with a total amount of 902,871.63½ guilders, of which 362,949.90 guilders had been paid back. The number of advances liquidated as unredeemable was 57, the state losing 12,119.48 guilders.¹

The expenditure entailed by guarantees on credits to small employers, and by the support granted to them, is as follows: 8,535.13 guilders in 1915; 17,883.01½ guilders in 1916; 21,502.34 guilders in 1917; 27,047.76 guilders in 1918: total, 74,968.24½ guilders.

The actual loss incurred by the state through the granting of these credits was small in comparison to the total expenditure.

It is not possible to determine to what extent this expenditure must be entered as pure loss. It may be taken for granted that a large part of these credits would in ordinary times have been either unnecessary or easily got from any bank. Only in the

¹ Tri-monthly report of the Committee, Aug.-Oct. 31, 1918, p. 2.

ACTIVITIES OF THE COMMITTEE ON ADVANCING CREDIT TO THE MIDDLE CLASSES.^a

Trades and occupations	No. of examined requests		Number granted		Amount granted	
	May 1-Dec. 31, 1915	1916	May 1-Dec. 31, 1915	1916	May 1-Dec. 31, 1915	1916
					<i>Guilders</i>	<i>Guilders</i>
Builders	5	17	2	8	1,300	9,150
Potato dealers		5		4		1,600
Confectioners	8		6		4,600	
Upholsterers	5	14	3	12	2,125	5,800
Florists		11		10		24,600
Nurserymen	33	153	30	128	42,550	232,300
Tree growers	8	55	8	40	11,300	55,050
Butter and milk dealers	6	21	4	15	1,950	8,125
Innkeepers	10	11	2	5	2,000	4,800
Bakers	20	43	14	30	10,000	16,750
Photographers		5		1		250
Fruiterers		22		16		5,735
Fancy goods dealers		7		7		3,800
Greengrocers	5	29	4	20	1,150	7,550
Trade agents		5		5		2,200
Hairdressers	5	26	3	17	2,050	6,000
Tailors	8	24	5	16	1,970	5,900
Grocerymen	13	21	7	15	3,570	5,850
Agriculturists		13		9		4,350
Plumbers		13		9		6,020
Basket makers		5		3		740
Linen drapers	13	15	7	7	3,570	4,350
Masons		9		8		6,200
Joiners		15		9		2,950
Miscellaneous goods		17		9		1,950
Boarding-house keepers		5		1		200
Cycle dealers	5	11	2	6	2,800	2,850
Painters	10	30	6	24	3,750	13,200
Shippers		16		10		7,400
Shoemakers	9	22	6	14	2,900	6,290
Cigarmakers		10		6		1,230
Cigar dealers	5	17	1	10	350	6,525
Smiths		12		9		6,050
Sugar dealers		6		3		850
Carpenters and makers of building materials	10	28	6	19	2,725	9,400
Gardeners		28		23		8,450
Cattle dealers		11		6		2,900
Fishmongers	5	12	4	6	1,550	1,750
Butchers	9	33	6	28	5,350	16,950
Other occupations	118	213	51	113	32,095	63,205
Total	310	1,010	177	679	139,655	569,370
Total in 1917	312		132		96,135	

^a Cf. *Maandschrift van het Centraal Bureau voor de Statistiek*, Jan. 1916, pp. 101, 102; Jan. 1917 p. 107; Jan. 1918, p. 115; and the tri-monthly reports to the Minister of Finance.

former case was there actual loss ; in the latter case only a shifting took place. It is also possible that the war proved a windfall for some concerns, which, thanks to an easier credit, were able to hold their ground. But however important this matter may be as a feature of the crisis, a more detailed computation is not worth while, since the cost this service entailed on our country was small.

Expenditure for Insurance against Sea Accidents

The necessity of supporting financially sailors and families of sailors who had fallen victims to the belligerents' acts at sea soon manifested itself. It was especially the submarines and mines that greatly increased the risk of seafaring, and when, with the first calamities, the inadequacy of the insurance of the sailors against accidents at sea became apparent, the government took the matter in hand and succeeded in setting up a legal scheme which proved exceedingly satisfactory.

On May 8, 1915, the Marine War Risk Act¹ was published. It provided that any man of the crew of a vessel belonging to the Netherlands, meeting with an accident on the open sea caused by or in connexion with an event immediately consequent on the war, should be entitled to an allowance of 70 per cent of his daily pay. If he lost his life, his relatives might be granted an allowance of 60 per cent. The state charged itself with half the amount of this benefit, if the victim belonged to the crew of a merchantman of less than 200 tons, and with three-fourths if he belonged to the crew of a fishing vessel. What plan of insurance had been adopted was of no concern to the state ; it only saw to it that no vessel could clear without being provided with a licence by the navigation inspection, and this licence was granted only if the Minister of Agriculture, Industry, and Commerce was of the opinion that the allowance granted by the law was sufficiently safe.

All this resulted in a quasi-absolute insurance compulsion, and within a very short time a mutual insurance company was established, which comprised nearly the whole mercantile and fishing navy.

The number of sea accidents which befell our mercantile fleet

¹ *Staatsblad*, 1915, 214.

during the war years was not small, and the number of victims among fishermen was exceedingly large.

Since the coming into force of the law on July 19, 1915, the number of accidents at sea were as follows :

Nature of accident	1915	1916	1917	1918	Total
Collision with mine	7	20	9	21	57
Mine catching in net	2	. . . .	4	. . . .	6
Run foul of by a man-of-war . . .	1	. . . .	. . . .	3	4
Captured . . . . .	. . . .	3	. . . .	. . . .	3
Torpedoed, fired at, or sunk by bombs . . . .	. . . .	13	83	28	124
Lost	3	19	18	48	88
Stranded	1	4	1	2	8
Total	14	59	115	102	290 ^a

^a Compare the annual accounts of the Zeerisico Company at Amsterdam.

Of the total number of accidents at sea, amounting to 290 during the four years, 84 befell passenger and freight vessels, and 147 fishing vessels. The total loss during the whole war amounted to 201,797 gross tons, or about 16 per cent of the total tonnage of our fleet.¹

In these accidents the following lives were lost : in 1915, 40 men, leaving 24 widows, 66 children, 6 fathers and mothers ; in 1916, 277 men, leaving 134 widows, 349 children, 39 fathers and mothers, 7 other relations ; in 1917, 205 men, leaving 133 widows, 389 children, 35 fathers and mothers, 17 other relations ; in 1918, 503 men, leaving 277 widows, 844 children, 51 fathers and mothers, 14 other relations ; total, 1,025 men, leaving 568 widows, 1,648 children, 125 fathers and mothers ; 40 other relations.

According to the crisis survey, the subvention to the benefits, entered as the cost of the Marine War Risks Act, 1915, amounted to 2,409.53 guilders in 1915 ; 26,453.23 guilders in 1916 ; 74,370.20

¹ The war losses of other countries were : British Empire, 7,753,311 tons ; British Dominions, 169,712 ; United States, 343,090 ; France, 722,939 ; Norway, 976,516 ; Denmark, 210,880 ; Greece, 349,661 ; Italy, 745,766 ; Japan, 119,764 ; Sweden, 180,415 ; Spain, 157,527 ; Belgium, 85,842 ; Brazil, 20,328. The financial newspaper, *de Beurs*, April 9, 1919.

guilders in 1917; 110,170.69½ guilders in 1918: total, 213,403.65½ guilders.

These surveys give only the actual expenditure of the preceding year. The aspect changes when the cost value of the benefits, according to the computation of the Mutual Insurance Company, is given. State expenditure is then seen to amount to 85,041.93½ guilders in 1915; 340,857.28 guilders in 1916; 401,368.01½ guilders in 1917; 724,535.11 guilders in 1918; total, 1,551,802.34 guilders; or about 600 per cent more. It may be taken for granted that all these expenses are actual crisis expenditure, in so far as it may be supposed that the state in normal times would not have rendered financial aid for this kind of insurance.

Another question is whether this expenditure is a social loss, superfluous in normal times, no matter on whom it rests. As to part of it, one may be sure that this was not the case. It is possible that the crews of the vessels wrecked through war accidents might have met with ordinary accidents at other times. Besides, it is not to be taken for granted, without further information, that all accidents listed in the statistics were really caused by the war. Several ships were wrecked by unknown causes. In such cases of lack of information the Minister decided that a war incident had to be assumed as cause of the accident. Many fishing vessels disappeared during heavy storms raging on the North Sea; it is quite possible, indeed probable, that in such cases the accident was caused by the storm, although officially a war accident was assumed. Such minor inaccuracies, however, amount to nothing in the total of the war expenditure, the actual crisis expenditure from other branches being too large for that.

As an indirect advantage of the foregoing regulation may be registered the fact that it induced the managers of herring ships the following year to voluntarily insure their men against ordinary accidents on sea.

EXPENDITURE FOR THE SUPPORT OF REFUGEES

The support of refugees, especially those from Belgium and France, entailed great expense to the state as well as to private persons.

As soon as the Germans had violated Belgian territory, part of the population of the invaded districts fled to our country, but a gigantic influx followed when the Germans took Antwerp. It is estimated that a million persons poured from Belgium into the Netherlands in the beginning of October 1914, most of them leaving all their possessions behind them.

It was a tremendous exertion to at once procure shelter, food, and clothing for these unfortunate people. State and municipal governments and private persons all with one accord put forth their best efforts. The refugees were assigned to different places as soon as possible. Local committees billeted those who were better off (*les pauvres honteux*) with private families, thousands of Dutch families having gratuitously offered their homes. When necessary, the Government of the Netherlands granted a subvention of at most 0·7 guilders *per diem* for the maintenance of a *pauvre honteux*; 0·35 guilders for the other refugees; and 0·2 guilders per child. For the working classes refugee villages were built in a very short time. Sheltering camps were established at Hontenisse and Bergen-op-Zoom to provide against the most urgent wants.

Permanent refugee camps were laid out at Nunspeet for 13,000 persons, at Ede and Uden for 10,000 persons each, and one on a smaller scale at Gouda; criminal elements were sequestered at Veenhuizen, where there is a Netherland state work establishment.

After negotiating with the German Government on the return of these refugees, the last-mentioned camp was abolished on July 1, 1915. Although part of the refugees returned to Belgium when the first shock was over, it is estimated that about 720,000 refugees remained in our country. In the course of time this number also decreased considerably, England taking over part of them and others returning to their own country. Still the number of those who remained may safely be estimated at 60,000 in the middle of 1917, and 50,000 at the end of the war.¹ Much was done to make life bearable for them, the Netherland Committee for support of

¹ According to information given by the *Rijksvreemdelingendienst*, there were still 50,258 Belgians in Holland on July 20, 1919. Cf. *Maandschrift van het Centraal Bureau voor de Statistiek*, July 1919, p. 807.

Belgian and other war victims taking the lead in this. This committee had at its disposal large sums of money, granted at home and abroad, and received a large quantity of goods, especially from the Rockefeller Foundation.

The support tendered to the refugees was not limited to the procuring of clothes, food, and shelter. Large sums were spent in finding employment for them, care being also taken that the many hundreds of Belgian children should be instructed in schools of their own. Ultimately (May 30, 1916) special Belgian schools existed in no less than 57 places.

As private support fell short in the end, the government came to the rescue by voting supplies for finishing the work that had been begun, such as the finding of employment. Belgian women were employed in sewing garments for interned men, compatriots, and fellow fugitives. Originally this work, in which no less than 1,294 women shared, was paid for by the Rockefeller Foundation, the Netherland Government having borne the cost since June 1915.

An exceptionally satisfactory form of employment was the erection of wooden houses, which could be taken to pieces afterwards and carried along to Belgium by the refugees who built them. Until June 1917, 399,488.93 guilders were spent on this service, which amount was fully met by gifts from Denmark (325,000 guilders), the Belgian Government, and some Belgians. After that the Netherland Government rendered the necessary financial aid.

The largest budget expenditure was for the erection and maintenance of refugee camps, for clothing and shoes, and for the finding of employment.

In November 1918 the government published a survey of the labour undertaken in favour of the refugees.¹ The figures which it contains, and which have been recorded above, clearly set forth both the greatness of the refugees' misery and the magnitude of the support that was rendered them.

¹ The report is entitled : *De Uitgewekenen uit België en Frankrijk in Nederland*.

BUDGET EXPENDITURE

1. Cost of erection of the refugee camp at

	<i>Guilders</i>	<i>Guilders</i>
Nunspeet	411,500	
Ede	785,430	
Uden	429,770	
		1,626,700

2. Cost of the refugee camp at Nunspeet until
May 31, 1917

(a) Medical service	158,137·73½	
(b) Heating and lighting	179,326·13½	
(c) Food	1,089,277·28	
(d) Fitting up and repairs	134,836·86	
		1,561,578·01

3. Cost of the refugee camp at Ede until May 31,
1917¹

(a) Medical service	100,658·68½	
(b) Heating and lighting	337,731·18	
(c) Food	858,265·46½	
(d) Fitting up and repairs	239,917·27	
		1,536,572·60

4. Cost of the refugee camp at Uden until May 31,
1917

(a) Medical service	91,757·00	
(b) Fitting up, heating, and lighting	651,702·00	
(c) Food	1,380,750·00	
		2,124,209·00

5. Cost of the refugee camp at Gouda until May 31,
1917

(a) Medical service	115,381·93½	
(b) Rent, assistants, heating, and light	285,903·11	
(c) Food	305,819·28½	
		707,104·33

6. Cost of relief of refugees out of the camps until
June 1917

(a) Relief of ordinary refugees	10,800,000·00	
(b) Relief of <i>pauvres honteux</i>	700,000·00	
		11,500,000·00

7. Cost of clothing and shoes by the Netherland
Committee for the support of Belgian
and other victims, chargeable on the
state budget until June 1917

756,059·33	756,059·33
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¹ The refugee camp at Ede was vacated in the spring of 1917, the inhabitants being removed to Nunspeet.

	<i>Guilders</i>	<i>Guilders</i>
8. Cost of the Central Committee for the instruction of refugees, chargeable on the state budget from April 1915 to May 31, 1917.		
(a) For instruction	291,489·67	
(b) For administration and control	10,800·11	
		302,289·78
9. Cost of sewing and knitting classes until June 1, 1917	796,790·57	
Minus contribution Danish fund chargeable on the state budget	12,000·00	
		784,790·57
10. Credit for the building of removable houses, from June 1, 1917, chargeable on the state budget		45,640·00
11. Families of interned men.		
(a) Building camps	219,066·50½	
(b) Cost of exploitation and maintenance in the camps from February 20 to June 1, 1917	30,221·97½	
(c) Relief by the committee	136,845·08	
		386,133·56
12. Cost of free transport and extra train, estimated at		200,000·00
Total		21,531,077·18

So, from about November 1, 1914, until June 1917, i. e. in 31 months, there was a total expenditure of 21,531,077·18 guilders, making a monthly average of over 694,000 guilders.

The memorable retreat of the Germans in October and November 1918 again caused large masses of refugees to cross our frontiers. Part of them were sheltered in the camp at Zeist, part at other places. Among them were 40,496 French people, who came into our country between October 21 and November 19, 1918. From the beginning of November they began to return home, the last steamer with refugees leaving our country on January 15, 1919.¹ The expenditure was also large for their support. According to recent data the state spent therefor 1 million guilders monthly.

Exact figures on the full state expenditure have not yet been published. Taking the above monthly average of 694,000 guilders as a standard, the total state expenditure from November 1, 1914,

¹ *Nieuwe Rotterdamse Courant*, March 29, 1919, A.

until January 1, 1919, must have amounted to 50×694,000 or 34,700,000 guilders. This amount is chargeable in full to the state of the Netherlands. All reimbursements, as for the maintenance of interned men, is out of the question here ; nor would it be accepted. The Government of the Netherlands regards the work as one of charity, deliberately undertaken by both state and population, and no form of reimbursement could be considered.

Must we consider all this expenditure, augmented by the large sums supplied by private persons, as cost pure and simple ? By no means. The rather more than 1·5 million guilders spent on the erection of refugee villages was invested in valuable national wealth, quite serviceable after the Belgians left. Nor have the Belgians contented themselves with the rôle of mere consumers. Many of them continued their busy lives : the Belgian diamond trade kept its ground at Scheveningen ; Rotterdam saw the establishment of cigarette factories directed by Belgians ; Belgian capital was sunk in many existing or newly established Dutch enterprises. All these are indirect but highly valuable advantages which, however, cannot be expressed in figures, as data are lacking.

Besides the Belgian and French refugees the government had to take care of a large number of foreign deserters (about 10,000) and escaped prisoners of war. In view of the public safety, many of the former could not be left at large. They were interned in a special camp at Bergen.

Much expenditure, moreover, was caused by the maintenance of Russian prisoners of war who had escaped from Germany and could not be sent back to their native country. They were sheltered, for the larger part at the expense of the government, at Rotterdam and at Schiedam.

FURTHER CRISIS EXPENDITURE

In the survey of crisis expenditure published by the government occur many other items, for the most part of small importance. Not to enter into too many details, we will mention only the following.

A. The execution of the war measures demanded an extensive

administration. Besides the food administration, the administration of taxation laws, especially, was very expensive. Of a total of 10 million guilders for cost of administration, no less than 9 million guilders were spent on the levying of taxes.

This amount chiefly went toward the guarding of our frontiers and the repression of smuggling. Hundreds of military customs officers were appointed and large sums were spent on premiums for the suppression of smuggling. The smugglers, nevertheless, had golden times, and were not intimidated by the numerous convictions. The exorbitant increase of the number of convictions, especially by the tribunals of the boundary districts, is highly illustrative of the spread of this social evil.

NUMBER OF CONVICTIONS

Tribunal	1913	1914	1915	1916	1917
Arnhem	718	718	1,308	3,904	16,735
Almelo	540	437	783	5,594	3,993
Roermond . . .	1,094	1,026	3,894	6,859	7,591
Breda	1,467	1,057	3,140	7,145	6,616
Middelburg . . .	462	461	2,342	1,388	2,322
Bois le Duc . . .	709	619	2,038	4,392	3,279

B. The Department of Foreign Affairs had much extra expenditure, chiefly on account of providing for the interests of the belligerents, which both parties had entrusted to our embassies. This expenditure amounted to 59,279·12½ guilders in 1914; 222,351·29½ guilders in 1915; 130,910·13½ guilders in 1916; 240,056·65 guilders in 1917; 425,750·57½ guilders in 1918.

The commission came from both sides, and on account of the large number of belligerents its execution entailed extensive labour.

In 1918 the Minister of Foreign Affairs published the following survey of the duties of the Netherland Embassy:

Belgian interests were provided for by the embassy at Sofia; British interests by the embassies at Athens, Brussels, and Constantinople; German interests by the embassies at Athens, Bangkok, Le Havre, Peking, and Rio de Janeiro, by the diplomatic agencies at Cairo and Tangier, by the consulates general at Hongkong, Pretoria, and Singapore, and by the consulates at Bahia, Pernambuco, and Saigon; French interests were

taken care of by the embassies at Constantinople and Sofia ; Greek interests by the embassies at Berlin, Brussels, Sofia, and Vienna ; Italian interests by the embassy at Sofia ; Liberian interests by the embassy at Berlin ; Montenegrin interests by the embassy at Sofia ; Austro-Hungarian interests by the embassies at Athens, Bangkok, and Peking, by the diplomatic agencies at Cairo and Tangier, by the consulate general at Calcutta, and by the consulate at Cape Town ; Portuguese, Russian, and Serbian interests by the embassy at Sofia ; Russian interests by the embassy at Constantinople ; Turkish interests by the embassy at Athens, the diplomatic agency at Cairo, and the consulate at Cape Town. Moreover, the consulate general at Beyrouth, besides working under the embassy at Constantinople, was charged with British, French, and Russian interests, and also with American, Belgian, Italian, Montenegrin, Portuguese, Rumanian, and Serbian interests ; the consulate general at Smyrna was charged with the interests of Rumania ; and the consulate at Aleppo with those of Greece.

C. The Department of Finance charged 6 million guilders for interest on the floating debt during 1915-18, and 575,766.17 guilders for the making of paper money, which was to be issued to an amount of 100 million guilders.

D. The Department of Colonies, in view of the fact that the state granted a subvention to the colony of Surinam, decided to charge this colony with part of the crisis expenditure, as follows :

Year	Guilders
1914	250,000
1915	528,000
1916	300,000
1918	155,870

E. The last entry on the survey consists of the expenditure for a bonus on the salaries of state officials, to offset the high cost of living. But the figures given are so incomplete that we will refrain from mentioning them here, though we shall presently come back to them in another connexion.

CHAPTER IV

THE COVERING OF THE CRISIS EXPENDITURE

ON three different occasions—at the beginning, in the middle, and at the end of the war—parliament had to make its choice of a means for covering the crisis expenditure.

In November 1914 the government proposed to cover the crisis expenditure by loans on relatively long terms and to increase taxation only to such an extent as was necessary for interest and amortization on the borrowed money. This was the method that was resorted to in Germany.

In and out of parliament this scheme was opposed by those who preferred meeting the crisis expenditure by a single tax. A counter-proposal in the Second Chamber, moved by the radicals, gave utterance to this preference, the ensuing debates being carried on not without vehemence. But the struggle ended with a victory for the government. On two other occasions an opposition group tried to carry a tax against the will of the government. On the first the opposing parties appeared to come to some understanding. With the long duration of the war, the amount of the first loan proved to be insufficient, and the government came round to the opinion that a policy of loans should not be relied upon exclusively, but that the rapidly increasing expenditure should immediately be met by extra revenue.

The government proposed to get this extra revenue by an extraordinary tax on income and on capital, to be levied once for all. To this end the government, on March 21, 1916, reported to the Second Chamber two bills, to which we shall presently return. Also the government called its proposal a 'single tax', thereby acknowledging the desirability of a prompt payment of at least part of the crisis expenditure. But this was not what the opposition in 1914 and also at this time meant by the single tax. The opposition wanted to meet a much larger part of the expenditure, finding the means to do so in the tax-payer's relinquishment of part

of his capital. The government, on the other hand, opposed this. Its whole endeavour was directed to keeping capital intact, and to charging only the incomes of the tax-payers with the extra tax which was necessary to the state. For this reason, Mr. van Gijn, then Minister of Finance, taxed capital of less than 50,000 guilders with only a very small per cent, whereas even the smallest taxable incomes (650 guilders) had to pay their share.

While the government contented itself with a yield of between 75 and 100 million guilders, the opposition wanted to raise the tax to double that amount, i.e. 200 million guilders, and proposed to tax also small capital of 800 guilders or more, and to introduce a progression of from 1 per cent to 5 or 6 per cent. On the other hand, the opposition wished to exempt incomes of less than 2,000 guilders. Characteristic of the fundamental difference was the fact that the government, to prevent double taxation, did not include limited companies, while the opposition claimed 10 per cent of their dividends.

But the opposition failed to secure a majority. On June 27, 1916, the Second Chamber rejected a motion tending that way by 38 votes to 21.

In the beginning of 1919 the government proposed a systematic financial programme, showing the means of meeting the requirements of the 'ordinary' expenditure. The war was drawing to its close and there were data enough to make a rough computation and to make possible a survey of the financial condition in the near future. The government opposed the plan of an *ad hoc* levy and expressed its preference for the plan of raising the necessary amount from direct and indirect taxes. This time the opposition refrained from a definite proposal and contented itself with the following motion :

The Chamber, in view of the desirability of paying off the crisis debt on short terms, chiefly by a tax on capital and large incomes, invites the government to make proposals tending toward a prompt redemption of the crisis debts.

But the motion was rejected on March 28, 1919, by 48 votes to 32.

The defenders of the *ad hoc* levy maintained that under the loan policy of their opponents our budget for years to come would

be burdened with the heavy interest and redemption of the loans, in consequence of which no money would be available for social measures that were so badly needed, i. e. for improvement of education, etc. It was to be feared, moreover, that industrial enterprise would be checked, and this, especially now, would be highly detrimental to our prosperity. If, on the other hand, the above burden were removed from our shoulders, albeit at great sacrifice, we should be able to again draw breath and to meet the many requirements of the new era. The opposition maintained that the consequences of an *ad hoc* levy would be worse still, such a tax indeed being only possible at the cost of capital. And how in the world could another loss of capital be defended since it was now of the greatest importance that the existing capital be left intact in order to save economic life from a still greater downfall? And, besides, would it not be unfair to lay the full burden on those who were better off and to pass over all the other tax-payers?—for this is what the *ad hoc* levy would do. The whole nation had reaped the benefit of the loans, and it was only right that the whole nation should share the burdens thereof. The defenders were not slow to answer. The argument that the *ad hoc* levy would cause loss of capital was rejected as fallacious, since this loss already existed when the loan was made and since the loan had to be contracted in order to cover it. Besides, it was very unfair to charge persons of small or no means, who had already had their ample share of the war misery, with extra taxes now, thereby making life a more grievous burden to them.

Much was to be said on both sides, especially in the beginning of the war, when nobody could have had any notion of the extent of the expenditure. To a certain degree it must be admitted that the argument against an *ad hoc* levy, that it would cause a loss of capital, was not wholly sound, the great loss of capital, indeed, having taken place beforehand. It had been caused by the unproductive use of the large amount of goods and services required by the state for the defence of the country, the payment for which was now to be effected with the money which was being sought. Nevertheless, the shifting of capital which would occur with an *ad hoc* levy would most certainly entail loss of capital for a great many persons.

Those who had lent to the state had begun by placing their money-capital at the disposal of the state in the form of currency, i.e. title to goods and services. The state transferred this money to the producers to pay its bills. These money-lenders, of course, had not given their funds for nothing, but demanded an annual interest and a gradual repayment. Now, if an *ad hoc* levy were resorted to, the original lenders would be repaid the money they had lent to the state. That money would have to be secured from other citizens, who would not be indemnified by annual interest and gradual repayment. If these latter persons could satisfy the claim by economizing on their income, nobody would be the worse off.

Through the repayment of the debt a large amount of the existing money-capital would become available, for which the original lenders would seek new employment; if this income had been spent, the goods and services which, in exchange for this money, would have been used for consumption, hence unproductively, would become available for enterprises and would certainly, to a large extent, be employed for further production—hence productively.

The burden on the population would then chiefly amount to this, that people would live more thriftily and spend less, which is essentially an advantage, as free spending is more often injurious to society than otherwise. But the advantages of an *ad hoc* levy would become disadvantages if the levy were to be so great that people, to meet it, would have to draw on the very source of their incomes, for then many tax-payers would have to change their capital into currency, thereby losing it for good and all. Then, also, a loss of capital would take place to the same amount as the increase of capital of those who were repaid the sums originally lent to the state. This would mean a shifting of capital, which would probably be disastrous to many persons. For those who had originally parted with their capital did so of their own free will. Although the menace of a forced loan might have exerted a certain pressure upon them, still it may be taken for granted that they were able to subscribe to the loan without great sacrifices. But it would be quite different with those who afterwards were forced to supply the money for repayment. This capital would be forcibly

taken from them by the state, without regard to the question of whether it was the source of their income, a reserve for critical circumstances, the means for contemplated extension of their business, or what not. That many of them would be severely reduced in their economic power by this levy was as clear as daylight.

If loans are resorted to, the burden of interest is laid upon the population, it is true, but then this burden is much more easily borne because the interest is distributed over a number of years. Although people have to pay more in the aggregate, the odds are that the annual interest will be met out of real savings from income, so that existing capital resources may be left intact. It may also be assumed that in this case many tax-payers will be impelled to increase diligence and effort, and will be more economical than they would be if they were discouraged by a sudden drying-up of the source of their income. However, these advantages of the policy of gradual repayment obtain only within certain limits. A pressure continued for too long or made too heavy will undoubtedly lead to loss of energy and to increasing impatience of new state expenditure. Thus the disadvantages of the plan adopted by the state may become greater than those of a shifting of capital. But where are the limits?

This question did not apparently admit of a definite answer. But time furnished a solution of the problem which theory, basing its arguments for the larger part on hypotheses, could never have reached.

As the war continued, the contention as to the methods of covering the crisis expenditure abated. The unprecedented increase in the expenditures showed more and more clearly that a single tax would not be nearly sufficient. On the other hand, the enormous amounts needed for interest and amortization showed the expediency of looking out for money which would cover a considerable part of the crisis expenditure. The government framed its financial policy accordingly, resorting to short-term loans, to new taxes, and to increasing the rates of the existing taxes. In this matter the course of events in the Netherlands closely paralleled the experience of several of the belligerent countries, which had at first resorted to floating rather long debts, while approving the principle of financing the war by loans of

rather long terms. The result of the policy adopted by the Netherlands, however, was that by the end of the war the crisis expenditure had been met out of loans, and extra taxation was needed partly for interest and redemption of the loans and partly for the increased ordinary state expenditure.

REVENUE FROM GOVERNMENT LOANS

The following liabilities have been contracted by the state on account of the crisis expenditure :

1. The Loan Act of December 23, 1914,¹ provided for the issue of a voluntary loan amounting to 275 million guilders in bonds of 1,000 guilders, 500 guilders, and 100 guilders, with an annual interest of 5 per cent. From February 1, 1916, the debt was to be redeemed in 15 years, at par, and by allotment in such a manner that until 1920 5 per cent would be redeemed annually and in each following year 0.5 per cent additional.

The redemption was to be completed in 1929, the government being authorized from 1917 to accelerate the rate of redemption. The subscriptions had to be effected between January 2 and 12, at the rate of 100 per cent, payments to be made in four terms, the last of which was due on July 7, 1915. The total amount of subscriptions was 409,918,000 guilders, of which 407,539,000 guilders were accepted. Preferred subscriptions amounting to 142,461,000 guilders were granted in full, the remaining ones to at least 50 per cent.

2. Under the Loan Act of March 17, 1916,² was issued a voluntary loan amounting to 125 million guilders in bonds of the same denominations as those of the preceding loan, with an annual interest of 4.5 per cent. From November 1, 1917, at least 0.25 per cent of the loan, increased in proportion to the decrease in the amount of interest, would be redeemed annually. From 1930, when the redemption of the first loan would be completed, another 15 million guilders would be used annually for redemption. Thus the debt contracted through this loan would be redeemed after 25 years, that is in 1941. Subscriptions had to be effected between March 27 and 30, 1916, at the rate of 100 per cent, payment to be made in four instalments, the last being due on August 7, 1916.

¹ *Staatsblad*, 1914, 612.

² *Ibid.*, 1916, 135.

Subscriptions were granted to a total amount of 185,317,300 guilders. The preferred subscriptions, amounting to 84,588,200 guilders, were granted in full, the remaining ones to 40 per cent.

3. The third voluntary loan, like its predecessors, amounting to 125 million guilders, was issued a year after under the act of December 16, 1916.¹ This time the annual interest was 4 per cent. It was to be redeemed in the same way as the preceding loans. But the redemption was to begin eleven months later, that is, on October 1, 1917, the extra redemption being deferred to 1937. This loan would accordingly be redeemed in 27 years. The low interest was counterbalanced by the lower rate of issue, which was 97 per cent. At this rate subscriptions would be effected between January 2 and 5, 1917. Subscriptions amounted to 143,019,500 guilders, the full amount or 22,889,400 guilders being granted to the preferred subscriptions and 40 per cent to the others.

4. The fourth voluntary loan followed under the act of December 15, 1917.² This loan amounted to 500 million guilders, but it was partially meant for a conversion of the first loan of 1914. The new loan yielded an interest of 4.5 per cent, and as three years had elapsed since the issuing of the loan in 1914 and the government was at liberty to anticipate redemption, it appeared desirable to profit by the favourable condition of the money market. Money could be borrowed cheaper, and there would be an opportunity to economize on interest by redeeming the 5 per cent loan. From August 1, at least 0.94 per cent of the loans, increased by the amount of interest gained through payment of principal, would be redeemed annually over a period of forty years.

The subscription was opened between January 2 and 5, 1918, at the rate of 100 per cent. Subscriptions amounted to 624,629,000 guilders, of which 223,747,800 guilders came from the 5 per cent obligations of the loan of 1914. As these obligations were quoted at 100.5 per cent, their possessors received a bonus of 0.5 per cent. At the time of the subscription 247,500,000 guilders of these obligations was still floating.³ With regard to the part which was not offered for conversion, the act provided that

¹ *Staatsblad*, 1916, 533.

² *Ibid.*, 1917, 710.

³ 27,500,000 guilders had already been redeemed.

it be redeemed at par on February 1, 1918, or August 1, 1918, at the option of the government. Of the preferred subscriptions amounting to 34,328,000 guilders, 31.4 per cent was granted; 58.6 per cent of the others.

5. About a year later another loan was issued. The act of December 19, 1918,¹ provided for the issue of a loan of 350 million guilders at an annual interest of 5 per cent.

Redemption was to be effected in the same way as with the former loans. Again, the loan would not be redeemed before forty years, for which, from June 1, 1920, 0.83 per cent of the capital, increased by the interest gained, would be used annually. The rate of issue was 99 per cent. Accepted subscriptions amounted to 386,283,000 guilders; right of preference was claimed for 23,448,000 guilders.²

Summed up, the amount of contracted debts after the first loan was redeemed, was as follows :

Year	Contracted debts	Duration
	<i>Guilders</i>	<i>Years</i>
1916 (March) . . .	125,000,000	15
1916 (Dec.) . . .	121,250,000	25
1917	500,000,000	25
1918	346,500,000	40
Total	1,092,750,000	— ³

Thus, in nearly four years an increase in the national debt had taken place which lacked little more than 15 million guilders of equalling the total normal volume of the debt outstanding in 1913. In reality the new debt amounted to a great deal more, as the national debt existing at the outbreak of the war was quoted below par; part of it even considerably so, as a consequence of the low interest rate 2.5, 3, and 3.5 per cent. The higher interest on the war loans endowed the latter with a higher capital value.

¹ *Staatsblad*, 1918, 803.

² On October 22, 1919, the government reported a bill for the issue of a compulsory loan of 450,000,000 guilders at an annual interest of 5 per cent.

³ In 1922 a further loan was issued of 285,000,000 guilders at 6 per cent interest; and in January 1923 one of 100,000,000 guilders at the rate of 6 per cent interest, being part of a total amount of 350,000,000 guilders, which amount the Government is allowed to consecutively issue in parts, as they may deem fit.

On close examination we shall see that the voluntary character of these loans is decidedly questionable. With all of them the rod was in pickle, for a compulsory loan was sure to follow if they were not subscribed to the full.¹ As has been mentioned before,¹ this system was introduced into our financial policy in 1844 by Mr. T. A. van Hall, then Minister of Finance, at a time when Holland was financially in a very critical condition in consequence of the secession of Belgium.

In 1914 only a few speakers protested when the then Minister of Finance, Mr. Treub, began to wield this weapon. Against their opinion that on account of the high interest the voluntary loan was sure to succeed, the Minister was right in taking the position that no one could be sure of that in those days of uncertainty, and that it was absolutely imperative that the loan should succeed. Later several members of parliament opposed the threat of compulsion on the ground that since the outbreak of the war Netherlands securities were sought after to such an extent that the risk might safely be taken. According to them many persons were loath to invest their money in more speculative domestic enterprises, such as shipping and industrial stocks, part of them even preferring government securities to provincial and communal ones.

The 5 per cent obligations, then quoted above par, after 1918 fell to 93 or 94 per cent, while communal loans, which were of the same rate of interest as the government bonds, could be issued in the same year at a higher rate than government securities. In the course of time even private investments, with the same rate of interest, were quoted 10 per cent above government securities. And, lastly, a tremendous rise was in store for shipping and industrial stocks.

From a motive of immediate expediency it was good tactics for the government to keep the means of compulsion within reach, thereby securing the success of the loan, but it weakened the credit of the state.

The conditions of the proposed compulsory loan were of course much less favourable to the public, the disadvantage lying in the lower rate of interest. The compulsory loans authorized at the

¹ *Ante*, p. 16.

time of the first two voluntary loans were to yield 1 per cent less, with the following two loans, even 1·5 per cent less.

The compulsory loan was to be resorted to if the larger part of the voluntary loan was not placed. The subscription was to be secured from larger capital and not from incomes. The possessors of capital of less than 75,000 guilders were to be exempt. Only with the latest loan were gross incomes also charged, beginning with incomes of 10,000 guilders.

It was for this reason that the voluntariness of the so-called voluntary loans was so questionable. Many financial institutions, many private persons, subscribed only in order to escape the much greater evil of the compulsory loan. Many of these subscriptions, indeed, were rather a drawback than an advantage, for no sooner did the new state debenture come on the market than many persons tried to free themselves from their unwelcome acquisition and to secure floating funds again. In this way a volume of offers was brought about which was not sufficiently counterbalanced by demand. For this reason there was a great fall in these obligations—much too great as compared with similar funds.

Another measure had been resorted to in order to make it absolutely certain that the loan would succeed. The government, with each successive emission, secured the co-operation of the Bank of the Netherlands, which promised special facilities to the subscribers if they wanted to raise money on the security of these bonds.

When the first loan was issued, the Bank of the Netherlands offered to advance money to an amount equal to the par value less 5 per cent (before the war the rule had been par value less 30 per cent) on security of the debentures, charging therefor the ordinary interest for loans on security (in those days amounting to 5 per cent) if the loan was taken for at least one month. This condition was to be maintained until December 31, 1917. In this way it was possible for a person to subscribe for, let us say, 10,000 guilders and pay in no more than 500 guilders cash. As long as the interest on secured loans did not exceed 5 per cent, it cost him nothing to subscribe.

The assistance of the Bank of the Netherlands made possible even a net profit for the subscribers, as after May 1915 the

obligations for a considerable time were quoted above par, even as high as 103·5, so that the borrower who sold these obligations might easily make a fair profit. But contrary to expectation, people did not to a great extent avail themselves of this privilege offered by the bank, which contracted no more than 4,763 loans on security.

The Bank of the Netherlands also supported the subsequent loans in the same way.

The fluctuations in the rate of interest were very remarkable. An interest rate of 5 per cent was adopted for the first loan, which for a Netherland Government security was exceedingly high. Since 1844, when the then existing national debenture, in so far as they yielded an interest of 5 per cent, had been converted into 4 per cent securities, no 5 per cent loan had been issued. On the contrary, in the course of time the 4 per cent loans had been converted into 3 per cent loans, and it was an unfavourable phenomenon when in 1911, for the first time, borrowing was possible only at an additional 0·5 per cent, with a rate of issue of 96. Small wonder that many persons took alarm, when in 1914 the Minister of Finance, Mr. Treub, proposed at the very outset an interest rate of no less than 5 per cent. It was feared that deposits in the private savings banks, which usually paid an interest of less than 3 per cent, would be withdrawn to profit by the high interest which the government promised. It was also feared that the agricultural banks would raise the rate of interest on secured loans and that mortgage banks would follow suit, which would increase the cost of building. Taken all together, commercial and private credit would become much more expensive. The government did not deny this, but argued, properly, that all over Europe interest was rising to 5 per cent and over; that nearly all belligerent countries borrowed at still higher interest, and, lastly—and this was a very important part of the argument—that with a lower rate of interest the Bank of the Netherlands would most assuredly stipulate much less favourable conditions.

With the second loan, in March 1916, Mr. van Gijn, who had succeeded Mr. Treub as Minister of Finance, ventured to lower the interest rate by 0·5 per cent, i.e. to 4·5 per cent. Easier conditions in the money market, which had already been perceptible

in the last months of 1914, became more pronounced in 1915. Commerce and industry earned large sums by orders from abroad, and as a considerable part of our overseas import trade was still open, the money which flowed into our country could be invested in stocks of goods. The money market became easier; the difference between the rates of interest for long and short credits steadily increased. With a view to the uncertainty of the times people preferred lending their money on call loans, in order to soon have it at their command again. This caused the interest on such loans to fall. In proportion as it became harder to find employment for money in trade, in consequence of the increasing difficulties thrown in the way of industry and commerce, the banks became less inclined to play the part of intermediary between lender and borrower. Hence interest on deposits and running accounts was greatly reduced, and, finally, the banks ceased paying any interest at all on such money. Any one who wanted capital, on the other hand, had to offer more interest than formerly to induce the lender to part with his money.

Many persons seeking investments, especially at the beginning of the crisis, preferred securities of the national government, the provinces, or the communes. Mercantile and industrial enterprises had not yet begun to show great profits, and the prevailing uncertainty kept people from investing their money in the industrial field. This explains why in 1915, the year of the greatest uncertainty, the 5 per cent loan rose above par, and why the government wanted to avail itself of this opportunity. But when, in the latter half of 1915, several 4·5 per cent loans of public and semi-public corporations were successfully placed, the Minister of Finance, Mr. van Gijn, resolved to adopt the rate of 4·5 per cent for the second loan, in a measure reported to the States General in March 1916.

Professional financiers had tried to dissuade him from the policy, as they doubted the success of the loan. The Minister could not deny that of late the rate of interest was no longer fixed, showing 'fluctuations with curves of increase'. This did not change his opinion though. He stood firm because he feared that if the state persisted in an interest rate of 5 per cent it would check the general tendency toward a decline to 4·5 per cent. He

must also have been influenced by the fact that the lower rate meant an annual saving of 625,000 guilders.

Apparently the Minister's optimistic view was sound. After July 1916 the loan rose above par, remaining so through the rest of the year. During the year 1916, which in our economic annals was to become the year of big war-profits, money remained remarkably easy. In view of this favourable circumstance, the Minister, in the third loan bill, reported to the Second Chamber in December 1916, made bold to lower the interest to 4 per cent. The fact that several public corporations were able to borrow at 4 per cent was partly responsible for the reduction of the interest by 0.5 per cent. But the precaution was taken to provide that the rate of issue should be 97, which raised the yield to 4.1237 per cent. Notwithstanding the rate of issue at 97, the loan promptly fell 1.5 per cent, and sank to 91 as early as February 1917. What was the error in the Minister's calculations?

Money was indeed remarkably easy in those days. In ordinary times the non-interest-bearing deposits at the Bank of the Netherlands did not exceed an average of 6 or 7 million guilders. But as early as August 1914 they rose to 29 million guilders—we are referring only to private deposits—and during the period May 1915 to April 1916 the average amount was 45.9 million guilders, and during the following financial year 81 million guilders.¹ The private banks lowered the rate of interest on deposits to 2 per cent, and one of our largest financial institutions even announced at the end of 1916 that it would refuse to take money on deposit.

But the existence of this surplus money did not signify that the possessors of it wished to sink it in government securities. Speaking generally, the longer the war continued the less inclined was the public to invest on long terms and fund their floating capital. The prolonged uncertainty made people averse to surrendering the command over their money. Short-term investments, on the other hand, were eagerly sought after, and in proportion to the supply the demand for floating capital was very dull indeed. Investment in fixed capital could be justified only if the risk appeared to be compensated for by anticipated war-profit.

¹ See the Annual Reports of the Bank of the Netherlands.

Large war-profits were indeed a possibility, as there were several branches of industry and commerce which were making large earnings, especially in shipping business, where the profits were immense. Such investments were greatly sought after. Investments which had formerly been considered first-class did not promise such compensation for risk by a higher dividend, and the result was that their market value fell. As regards government securities, the reluctance to invest was aggravated by the fact that the faith of investors was now weakened by the repeated borrowings for unproductive use. This condition was rendered infinitely worse when the downfall of Czarism in Russia led to the repudiation of the Russian Government debt.

The longer the war lasted, the dearer became long-time credit and the cheaper became short-term credit. As production became more difficult and manufacturers had less opportunity to replenish their exhausted supply of raw materials, an ever-increasing amount of capital, secured from the sale of finished articles, became available. None of these manufacturers wanted to hamper themselves by investing on long terms. They preferred to keep their money floating, in expectation of better times; this they did as a rule by holding bank-notes. Characteristic of this condition was the enormous increase in the stock of gold at the Bank of the Netherlands, which was as follows :

Date	Guilders
July 25, 1914	162,113,000
Dec. 24, 1914	208,119,000
Dec. 31, 1915	429,182,000
Dec. 30, 1916	587,602,000
Dec. 29, 1917	698,233,000

This gold, which for the larger part had been got from abroad on cash sales of products, remained at the disposal of the merchants, the bank-note functioning as a demand bill or a non-interest-bearing obligation.

We get an idea of the dullness of the money market if we compare the demand accounts and the private discounts of the Bank of the Netherlands as here given.

Date	Current demand accounts (exclusive of the state)	Commercial discounts
	<i>Guilders</i>	<i>Guilders</i>
June 27, 1914	5,089,000	66,440,000
Dec. 24, 1914	17,455,000	154,784,000
June 26, 1915	54,906,000	73,513,000
Dec. 31, 1915	24,289,000	76,348,000
July 1, 1916	76,067,000	37,521,000
Dec. 30, 1916	54,577,000	66,685,000
June 30, 1917	59,935,000	52,645,000
Dec. 29, 1917	32,048,000	81,820,000

The cheapness of money on short terms during a large part of the war period is reflected in the movement of the call rate. At the Amsterdam Exchange the average was : ¹

1912	4.0449	1916	2.6379
1913	4.0866	1917	3.0446
1914	4.6981	1918	3.6382
1915	3.8547		

These circumstances exerted an influence on the two following loans. With the large loan of 1917, amounting to 500 million guilders, the interest had again been raised to 4.5 per cent. In raising the rate the Minister of Finance, Mr. van Gijn, had taken counsel with 'highly competent persons' and had also taken into consideration the condition of the stock market.

The weakness of the preceding loan, which had consisted in the rate of issue being tacitly understood or expressly stipulated before the bill had been reported to parliament, was now avoided. This time the Minister was authorized to fix the rate of issue, the bill only making the elastic condition that this rate should be proportionate to the rate on first-class investments of the same rate of interest. In this way the loan escaped the character of a disguised taxation.

Whereas a fall was in this way avoided immediately after the issue, still it was impossible to keep the rate from falling soon thereafter. This fall was rather great, and at the time when the fourth loan was reported the 4.5 per cent loan was quoted no higher than 87, so that for the new loan it was necessary to resort

¹ *Financieel Jaarboek*, 1919, p. 96.

to an interest rate of 5 per cent. Even so, the latter loan could not maintain itself at the rate of issue. Within three months the obligations fell to 92 per cent. Government securities in the Netherlands, as elsewhere, were in disrepute.¹

REVENUE FROM TAXES

Until the end of the war it remained a moot question just where the extra revenue was to come from, as the receipts from loans were nothing but a temporary relief, immediately transforming themselves into an incumbrance. The task of the government was far from easy, as considerable amounts were involved.

For interest and redemption of the different loans there were needed : 30,318,715 guilders in 1916 ; 32,406,250 guilders in 1917 ; 31,366,000 guilders in 1918 ; 35,186,000 guilders in 1919 ; 53,889,400 guilders in 1920-30 ; 68,899,000 guilders in 1930-6 ; 62,960,000 guilders in 1937-43 ; 42,649,000 guilders in 1943-57.

Of the loan of 350 million guilders, an amount of 85 million guilders was reserved to cover the deficit in the normal services. Added to this was the crisis expenditure, for which the borrowed sum was not sufficient.

Although the government and the majority of the Second Chamber were averse to the abandonment of free trade, still it was necessary to exploit the domain of indirect taxes now that the plan of a single tax had been rejected. The project of increasing the indirect taxes won support among influential members of the opposition, who were unwilling to accept any notable increase of direct taxation.

Even before the second war loan, Mr. Treub, Minister of Finance, moved to levy an export duty of 8 per cent. The Minister wanted to hit the big profits drawn from exports ; and the export duty amounted to a kind of tax on war-profits. For this reason it was to be levied only as long as there was danger of war, and all articles whose value was no higher than the average value between August 1, 1912, and July 31, 1914, were exempt.

¹ Also the placing had been far from easy. The first of the two subscription days had been so unsatisfactory that all the leading newspapers had contained advertisements that night exhorting the public by all means to subscribe, and pointing out the menace of a forced loan.

This proposal was opposed from all sides of the Second Chamber. Those who defended free trade on principle were exceedingly indignant that the Minister who in 1912 had so violently opposed the protectionist tariff moved by the preceding government should thus surrender his former position. They argued that if a tax on war-profits was wanted, it should be levied directly on income.

Others considered more especially the technical side of the scheme, which they thought too drastic by far. Whether much or little profit was gained on an article of export, whether or not there was a disparity in cost price of various articles—these were considerations which had not been taken into account by the Minister. It had not even been stated what articles would be subject to export duty, which should have been one of the first things provided for in the bill. According to some speakers immense profits had been derived from certain commodities, such as tea, coffee, cocoa, rice, linseed oil, and soap, for which reason these articles should be the first to be taxed; others preferred the duty to be levied on the articles which we ourselves stood in need of, such as butter, cheese, potatoes, and pork.

The Minister yielded to the opposition and withdrew his proposal. Much of the criticism was well founded. It was not to be denied that the scheme had been worked out rather loosely and gave great discretionary power to the government. But, so far as the principle was concerned, the Minister stood firm, and in the end he was justified by the facts. For the above-mentioned system of licences, which financed a large part of our food supply and which had been established as early as the autumn of 1914, was practically equivalent to a duty on exports, although it was much more flexible and had a greater power of assimilation.

Thereafter the government resorted both to increasing direct taxation and adding new avenues to the existing taxation. But the first defeat entailed the very serious evil that no other proposal to levy a tax on war-profits was brought forward for about two years.

With the report of the second loan bill the government again proposed an increase of revenue, being forced to do so from the necessity of finding means for interest and amortization of the

loan. As long as it was thought possible to meet the crisis expenditure by the produce of the loan, all that seemed to be needed was revenue sufficient to cover the cost of the loan. But when it appeared that the expenditure would considerably surpass the amount of the loan and that no limit could be fixed for this increase, the government gave up the idea of confining itself to an increase in revenue sufficient for the cost of the following loans. It saw the urgency of finding also revenue for the immediate payment of part of the crisis expenditure. At the time of the issue of the second loan, in the beginning of 1916, the government gave evidence of this point of view by proposing a much larger increase in revenue than was necessary for the service of the first two loans, thereby committing itself to the system of employing part of the revenue for the service of the loans and part for immediate payment.

REVENUE FOR THE COVERING OF INTEREST AND AMORTIZATION OF THE LOANS

The loan-fund of 1914, which was to be charged with the cost of interest and sinking of the loan, was established under the act that authorized the issue of the first loan. To this fund would be consigned the extra revenue which was needed. Thus it was expected that a clear view of the extra revenue necessary for the covering of the crisis expenditure would be attained. The Minister had declared that he would propose no new taxes, because he wished to avoid a broad discussion of principles. He therefore limited himself to the levying of the following extra charges on existing taxes :

	<i>Per cent</i>
Land tax	20
Personal tax	20
Tax on income from trade, professions, etc.	33
Tax on capital	33
Stamp duty on foreign bonds	50
Registration duty and fines	10
Spirit duty	10
Sugar duty	20
Wine duty	20

Hence the extra charges were levied on both direct and indirect taxes. It was intended to make both sources contribute practically

equal shares. Of the direct taxes capital was hit hardest, the land tax being fixed at a lower rate to prevent capitalization of the tax at the cost of the present possessor. The rate of the personal tax was low because some provinces and communes already levied very heavy taxes thereon.

Although the wealthy had to pay the most, the poor also came in for their share, as the tax on income from professions, trades, etc., was levied on incomes of from 600 guilders up, and the tax on capital was levied on capital of from 13,000 guilders up. The personal tax, moreover, was levied upon persons of very small competence indeed. For instance, in the large towns an annual rent of even as little as 125 guilders was taxable, and this took in by far the larger part of labourers.¹

The extra excise tax was felt by every one, of course. The duty on sugar, by the way, was not really levied. For the very high original duty, amounting to 27 guilders per 100 kilograms, was diminished to 22.50 guilders, so that with the extra charge of 20 per cent the former amount was reached. There was another ground for opposition to this provision. The duty on spirits had yielded more than 25 million guilders, and this revenue had been reserved to compensate for an eventual decrease in sugar duties. This now became impossible.

To indemnify the ordinary expenditure account, the loan-fund was annually to pay a million guilders to the common exchequer.

In its original project the government had proposed a lower rate on incomes and capital, but it had proposed a levy of 20 per cent on legacies and 10 per cent on imports. The former levy was opposed by the conservatives, the latter by business men.

In the amended scheme the government, moreover, shortened the duration of this extra taxation to three years, thereby gaining an advantage in the discussion whether or not an *ad hoc* levy was desirable. Many persons now gave their support to the government in order to postpone any further discussion of the single tax.

Those who were far-sighted prophesied that this limit of three years would prove a delusion and that the extra tax would never

¹ It was the landlords who were taxed, it is true, but they made their tenants pay for it.

be removed. They were right. Not only was this temporary revenue continued, but in view of the exigencies of the times, new revenue for the loan-fund had to be found. When the loan-fund was also made responsible for the interest and amortization of the second loan, an increase in the resources of this fund was badly needed. An act of January 20, 1917,¹ provided for this increase in the following way :

The temporary revenue was maintained until 1933 and increased.

The extra tax on capital and the newly introduced tax on income, which had replaced the former divided tax, were increased to 40 per cent, dividends from limited companies remaining charged at 33 per cent, and the extra personal tax for horses and motor-cars was increased to 80 per cent. This was feasible, as horses and motor-cars were taxable only in so far as they were a luxury.

Shortly afterwards, under an act of January 11, 1918,² the limited companies had been relieved of the tax on income, as a separate tax of 5 per cent on dividends and bonuses had been introduced. The extra charge of 33 per cent was to be added to this tax in favour of the loan-fund.

Thus the new taxes would be levied exclusively against the large incomes. The Minister computed that they would yield a million more than was necessary. In view of this surplus he proposed to grant full or partial exemption from the rent tax for those who paid a very small tax. This modified the harshness of the system of extra taxation, but only to a minute degree.

An attempt to improve the system still further through the exemption of small incomes failed, the majority of the Second Chamber agreeing with the Minister that the exchequer could not spare the relatively important revenue which was expected from this class.

In this way the revenue of the loan-fund was increased to such an extent that no new strengthening of the fund was needed until the issue, in 1918, of the fifth loan, which amounted to 350 million guilders.

¹ *Staatsblad*, 1917, 192.

² *Ibid.*, 1918, 4.

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The above-mentioned extra revenue amounted to :

Extra tax	1915	1916	1917	1918	Total
	<i>Guilders</i>	<i>Guilders</i>	<i>Guilders</i>	<i>Guilders</i>	<i>Guilders</i>
Land tax, 20 per cent	3,202,000	3,241,000	3,283,000	3,324,000	13,050,000
Personal tax, 20 (80) per cent . . .	2,876,000	2,926,000	3,567,000	2,538,000	11,907,000
Income-tax, 33 (40) per cent . . .	6,827,000	14,879,000	21,687,000	23,385,000	66,778,000
Capital tax, 33 (40) per cent . . .	796,000	1,260,000	1,586,000	2,035,000	5,677,000
Sugar duties . . .	4,344,000	5,541,000	6,271,000	7,821,000	23,977,000
Wine duties . . .	107,000	300,000	328,000	320,000	1,055,000
Spirits duties . . .	2,543,000	2,768,000	2,963,000	1,890,000	10,164,000
Stamp duties . . .	356,000	641,000	874,000	486,000	2,357,000
Registration duties . . .	589,000	1,092,000	597,000	4,000	2,282,000
Mortgage duties . . .	57,000	113,000	66,000	. . . . .	236,000
Total . . .	21,697,000	32,761,000	41,222,000	41,803,000	137,483,000 ¹

REVENUE FOR THE DIRECT COVERING OF CRISIS EXPENDITURE

Since crisis expenditures increased so immensely, the government tried to find the means for a prompt redemption of part of it. To this end four new taxes were introduced in 1916, which have indeed yielded large revenues. Three of them belonged to the existing taxes, the fourth, a true war-child, was a tax upon war-profits. One of the former was a duplication of the existing tax on capital, the second was an extra tax upon capital of more than 50,000 guilders, the third was an extension of the existing income-tax, with the difference that the rate of progression was much greater. Hence the first two belonged together, both being taxes upon capital alone; they were practically nothing but supplementary taxes of the third, which was upon incomes as such, no matter from what source derived. They were called Defence Tax I A and I B and Defence Tax II, names which tell their own story.

While the doubling of the existing tax on capital (Defence Tax I A) exempted capital of less than 16,000 guilders, its counterpart (I B), which was a much heavier tax, exempted capital up to 50,000 guilders. This was in consequence of Mr. van Gijn's opinion that the necessary money had to be procured through

¹ *Jaarcijfers*, 1920, pp. 276, 277.

an *ad hoc* levy, which, of course, had to be demanded primarily from wealthy people.

There was sound reason for supplementing the Defence Tax I A with I B, as the rate of progression of the ordinary tax on capital was too weak by far, and even more so as that tax valued landed property much too low by taking as a basis the values of 1897. For this basis was substituted the prevailing market-price. The difference was estimated at 48 per cent, and was calculated to procure for the exchequer an extra revenue of 7 or 8 million guilders. This tax which, like the other defence taxes, was distributed over three years, increased in proportion to the capital from 0.1 to 6 per cent.

What the Defence Tax II claimed from income was considerably more than the amount which was to be paid under the ordinary income-tax, as is exhibited by the following table :

Income	Tax on income, 1914	Defence Tax II
<i>Guilders</i>	<i>Guilders</i>	<i>Guilders</i>
1,500	15	3 × 5
3,000	55	3 × 21
6,000	145	3 × 63
15,000	465	3 × 213
30,000	1,165	3 × 588
70,000	3,165	3 × 2,748

Under the pressure of parliament the exemption of a minimum income of less than 650 guilders was extended to 1,200 guilders.

Influenced by the Second Chamber, the Minister agreed to distribute the charge over ten tri-monthly terms, hence in two and a half years. But once he had agreed to distribute payment over a long period, the Minister could not well oppose those who urged a separate tax to be repeated thrice, i. e. in three consecutive years. This gave a better opportunity to take into consideration the actual condition of capital and income during these years.¹ The Minister in his original opposition evinced

¹ In connexion herewith the rates in the Defence Aet were altered as follows :

Income	Tax	Income	Tax	Income	Tax
1,200	3	4,000	33	30,000	588
2,000	9	10,000	123	70,000	2,748

From incomes amounting to 85,000 guilders a sum of 3,873 guilders was levied, and 8 guilders for every 100 guilders exceeding these 85,000 guilders.

a clear insight into the drawbacks of this system. He gave utterance to his apprehension that in this way the character of an *ad hoc* levy might be lost sight of and that the levy might be continued for years to come. This fear proved well founded. Even before the three years were over, another Minister of Finance asked the Chambers' consent to extend the defence taxes to 1923, although in an attenuated form.

The revenue from the three taxes greatly surpassed the estimate of 100 million guilders. It amounted to :¹

Defence tax	1916	1917	1918	Total
	<i>Guilders</i>	<i>Guilders</i>	<i>Guilders</i>	<i>Guilders</i>
I A . . .	2,575,000	4,154,000	5,067,000	11,795,000
I B . . .	13,674,000	21,700,000	22,564,000	58,038,000
II . . .	16,806,000	30,106,000	33,309,000	80,221,000
Total . . .	33,055,000	55,960,000	60,940,000	150,054,000

The fourth tax, which had been proposed to parliament somewhat later than the three former taxes (March 10, 1916), was enacted earlier—June 21, 1916.² For a considerable time it had been clamoured for by the larger part of the population. It was levied upon war-profits, which had enriched the few at the expense of the many. In the Netherlands, as elsewhere, there was an ever-increasing disparity between a relatively small group of persons who drew no end of profits from the war and who, as *nouveaux riches*, grovelled in luxury, and the larger part of the population for whom the question how to find subsistence for themselves and their families became ever more burning. There was a general feeling of satisfaction over the fact that these few favoured ones would be compelled to loosen their purse-strings to the limit.

Not until March 1916, when the war had been raging for one and a half years, did the government set about levying this extra tax upon war-profits. This was a source of great discontent, which was not altogether allayed by the provision that the war-profit tax should be retroactive to August 1, 1914, as it might be assumed that many a profiteer had swallowed his lucre in the meanwhile.

¹ *Jaarcijfers*, 1920, p. 276.

² *Staatsblad*, 1916, 288.

Besides, severe censure was heaped upon Mr. Treub, who had given up his portfolio to Mr. van Gijn, Minister of Finance, shortly before the report on the bill imposing the profits-tax. In 1914 Mr. Treub had proposed a kind of war-profits tax but had given it up, disheartened by the defeat of his proposal to levy an export duty of 8 per cent. This was unfair to Mr. Treub, as the responsibility rested upon the Ministry as a whole.

As in most other countries, the tax was levied on incomes and not on capital. The reverse would have been very unjust, especially since the tax had been deferred so long. For then the person who had invested his war-profits would have been penalized for his virtue of thrift, and the man who had devoured his earnings would have proved the more clever of the two. Moreover, the tax would have remained ineffective to a large extent, since any person who had enjoyed war-profits might have employed them to compensate for losses of capital elsewhere sustained, thereby escaping all responsibility.

Lastly, if the tax was levied upon capital the limited companies would be exempt, while in fact they should be the very first to be subjected to the tax.

There was, to be sure, a serious difficulty with a profits-tax levied on income alone, not capital. Under that plan increase in security values and many other speculative gains went scot free. It was unfortunate and scandalous that no way could be found to make those lucky individuals who gained enormous fortunes through speculation, or through the mere rise in value of their properties, contribute their fair share to the revenue. But the increase of capital from the appreciation in value of the investor's securities could not be distinguished from speculative gains. And since the investor was to be spared by the scheme, the speculator was passed over for fear of hitting both.

Fortunately the Minister made an important exception by treating as income the profits gained from speculation in goods if those goods had been acquired otherwise than in the course of one's regular trade or business. In this way it was made possible to levy the tax on profiteers, and who during this war was not a profiteer!

It was the income which was taxed, it is true, but not every

kind of income. It had to be proved that there was an increase of income, or a profit, caused directly by the war.

This increase was further particularized as the amount by which the actual income or the actual profits during one of the war years exceeded the average income during 1911, 1912, and 1913, or, if no accounts had been kept, the estimated income of 1914. It was necessary to go back so far for the standard from which profits might be measured, because the act had been made retroactive to August 1, 1914. The dilatoriness of the government in preparing to tax profits was properly punished by the enormous difficulty of determining, from remote periods, the basis upon which taxable profits were to be computed.

It was rather comical to see how many tax-payers who had formerly kept their statements of income as low as possible for the ordinary income-tax (a tax on income from trades, professions, etc.), in order to reduce their tax payments, now kept down the amount they had to pay on war-profits tax by inflating the figures of profits in the period taken for the basis. By a comparison of the entries, which for this reason were widely different, many frauds were brought to light, and the tax-dodgers got their due in the shape of a heavy fine or imprisonment.

The law took into account not only the fact of the momentary war-profits, but also the possibility that these profits might turn into losses. It recognized that an unexpected end of the war might affect disastrously those who had sunk their capital in the production of different kinds of substitutes. If at the end of the war considerable stocks of such substitutes should be on hand, the odds were that great losses would result from a decrease in value. Hence the act provided that if any person, in consequence of the war, found his profits cut a thousand guilders or more below the income which had been used as a basis for the computation of his war-profits, this loss might be subtracted from the amount for which war-profit taxes had been paid, and a rebate for taxes already paid, proportionate to this subtraction, might be claimed.

In the case of both profit and loss the law applied only to such as might be due to the war crisis. Such a restriction obviously would involve many theoretical difficulties; how could one be

certain that increased profits were not due to better management, or losses to mismanagement? As a matter of practical administration, the law assumed that unless the tax-payer could prove the contrary, all increase of income above the standard that had been defined above, would be considered as war-profit. Thus a presumption was established in favour of the state, shifting the burden of proof to the shoulders of the tax-payer.

But what of the business concerns which had come into the field after August 1, 1913? For such it was provided that 5 per cent on capital would serve as the basis from which war-profits might be measured.

It was important that the tax should be levied upon the *entire* profits of limited companies, without deduction for undistributed profits and extra reserves. Evasion of the law through the transfer of profits to the reserve account was checked by the provision that only such sums might be set aside for reserves as might be necessary for the requirements of the business. The administration was to determine what reinvestment of reserves was permissible under this provision.

The act fixed the rate of tax at 30 per cent. The state committee had originally been of the opinion that 25 per cent would do, but the Minister wanted another 5 per cent as a fund wherewith to extend financial aid to communes that had got into difficulties. A minimum of 1,000 guilders was exempted, and for profits of less than 2,500 guilders the rate was fixed at 10 per cent. On profits above 2,500 guilders, 2,000 guilders were exempt. Hence the actual rate amounted to :

War-profits	Rate of tax	War-profits	Rate of tax
<i>Guilders</i>	<i>Per cent</i>	<i>Guilders</i>	<i>Per cent</i>
1,100	0·9	5,000	18·0
1,500	3·33	10,000	24·0
2,000	5·0	100,000	29·4
3,000	10·0		

This rate had of course been criticized. Persons engaged in navigation and industry proposed to withdraw the tax as soon

as the revenue should have reached the estimated amount of 50 million guilders. The radicals in the Second Chamber, on the other hand, had proposed an increase in the rates of 50 per cent. This the Minister opposed, fearing that a higher rate would too seriously discourage enterprise. The government had further limited the burden of the tax by the provision that the tax on war-profits might be deducted in calculating the amount payable under the income-tax.

It was feared that the law would give rise to evasion and tax-dodging, but these were familiar evils. Failure to report taxable profits were threatened with severe punishment—imprisonment exclusively. In case of false entries the delinquent's name was published in the *Staatscourant* (the official newspaper).

Large advertisements were repeatedly inserted in the principal newspapers, in which the Minister warned the public against the serious consequences of failure to observe to the letter the regulations of the new tax law. The administration, moreover, was empowered to examine into the accounts of private concerns and capital. This proved of great advantage. Many persons who formerly made such entries for taxation as they chose, now found that they would be held strictly to the law. It was a golden era for accountants, and many business men learned to appreciate good book-keeping.

As a rigorous application of the tax even to small profits would have been very onerous, since concerns operating on a small scale have little occasion for systematic book-keeping, and since their profits are very insecure, exemption had been granted for a minimum of 1,000 guilders, as mentioned above. In its original project the government had exempted a minimum of 2,000 guilders, believing that the yield would not cover the cost of administration, but later the Minister, realizing that the 30,000 small agricultural concerns could pay considerable sums to the state, supplemented his schedule by the 10 per cent on small incomes, which he estimated would yield 1.5 million guilders.

The war-profit tax was not intended as a supplementary tax on income. It was expressly provided that the entry for the tax on income might be diminished by the amount that had been paid as war-profit tax.

Revenue from this source amounted to 41,000 guilders in 1916 ; 161,337,000 guilders in 1917 ; 157,728,000 guilders in 1918.¹

The four extra direct taxes during 1916, 1917, and 1918 amounted in total to 510,219,000 guilders, or an annual average of 170,073,000 guilders. If we take into consideration that the average revenue from all direct taxation during 1911-13 was 50,807,000 guilders and that extra taxation alone yielded 3·4 this amount, we shall see that the Dutch legislator did not shrink from making the present generation pay a considerable part of the war expenditure.

REVENUE FROM OTHER SOURCES

REVENUE FROM THE NETHERLAND EXPORT COMPANY

All through the crisis period the state exercised close supervision over commerce and industry, and frequently had to take over the work of private business. Nor did it always sustain losses in doing so. It sometimes exhibited the true spirit of commercialism, being so bent upon profits that the ordinary merchant could not have improved upon it. It has been explained above how the state, in its power to regulate export at will, had an excellent means of making the exporters share in the immense cost of assuring the food supply of the country.

However effective this means and however gratifying the results, still there was a troublesome restriction, greatly impeding the state in its commercial operations. This was that no tax could be charged on the profits from an exported article, unless this article were necessary for home consumption. The state was unable to hit the exporter of any other article, as the only attempt to levy export duties had grievously failed. In establishing the Netherland Export Company, however, the state succeeded in gaining its object, although in a roundabout way.

Soon after the outbreak of the war, the Central Powers had centralized importation and exportation in large corporations. The advantages of this policy were manifold. Contracts for the importation of necessary articles could more easily be entered into, as the requirements regarding both quantity and quality could be more definitely fixed and a sharper control could be

¹ *Jaarcijfers*, 1920, p. 276.

maintained over the fulfilment of the terms of the contracts. By doing away with competition, export prices could be kept up and import prices could be kept down. In the barter of goods with foreign countries—which as the war dragged on was substituted for buying and selling—such organization proved very useful.

As economic conditions abroad became more unfavourable, barter was very often made impossible by the fact that the belligerents lacked goods for export. Still the belligerents stood in great need of the products of the neutrals, and therefore showed scant consideration for the rights of the few defenceless neutral states. They simply claimed the products they needed, not for nothing, for this would have seemed too rapacious, but in exchange for bills of credit, which amounted to practically the same thing as participating in the belligerent war loans.

When affairs had come to this pass the government realized that commerce and industry were exposed to great difficulties. What could the manufacturer and the exporter do with the foreign bills but take them to his bank to have them changed into Dutch money? But the banks were in danger of becoming so overloaded with such paper that depreciation would inevitably follow. This had to be prevented. The government, therefore, in 1918, established the Netherland Export Company (the N.U.M.). Although it was a private corporation, it was invested with official authority, since the state, to a large extent, was to control its policies.

The N.U.M. was created to take the foreign bonds off from the hands of the exporters and to assume the risk. The exporter was allowed to hand over his foreign bills to the N.U.M. in exchange for N.U.M. obligations, which were, it is true, nothing but scraps of paper, but paper which was guaranteed by the state of the Netherlands. The N.U.M. might do with this paper what it thought fit, borrow money on it or keep it until it became due. This was a matter of no concern to the original parties.

In order to carry on its work properly the N.U.M. had to have at its disposal all or nearly all of the foreign bonds of this character. Accordingly, the entire export trade had to be carried on through the agency of this institution. It was therefore provided that henceforth licences for exportation should be granted only by the

N.U.M. This offered the government an opportunity for revenue too alluring to resist. The exporter had to have a licence and the government could charge him a price for it. And this price was nothing but an export duty.¹

¹ This company closed in 1922 with a considerable surplus of more than 50 million guilders. Of this amount 30 million have been invested by way of a credit to France granted in 1916, and prolonged for five years in 1921. Another part has been invested in Dutch treasury bonds. Upon liquidation the balance comes in favour of the state. The establishment of the Company was on a rather large scale. The capital had been fixed at 5 million guilders. At the present time the capital has been reduced to 500,000 guilders in connexion with the very great reduction with regard to the N.U.M., now that trade has again been set free.

CHAPTER V

THE STATE BUDGET AT THE END OF THE WAR

The movement of the expenditure and the revenue of the state budget after 1913 is exhibited by the following table :¹

Year					Expenditure	Revenue
					<i>Guilders</i>	<i>Guilders</i>
1913	.	.	.	.	238,726,865·56½	227,422,665·23½
1914	.	.	.	.	359,273,277·67	245,571,310·73
1915	.	.	.	.	504,484,487·85½	263,491,539·13
1916	.	.	.	.	532,531,380·65½	309,978,558·39
1917	.	.	.	.	688,696,111·15	534,777,058·82½
1918	.	.	.	.	1,650,936,640·19	561,085,835·83
1919	.	.	.	.	811,172,591·35½	695,049,163·00

Thus there was an increasing annual deficit, but then there had been an annual deficit ever since the last years before the war. The deficit which appeared in 1910 had been covered by the last pre-war loan of 52,494,000 guilders, it is true ; but new deficits had followed, which in the beginning of 1913 again amounted to 18,006,000 guilders. Since 1913 deficits amounted to 1,232,321,000, most of which were crisis deficits, as shown by the following figures :

Year					Total annual deficit	Crisis deficit
					<i>Guilders</i>	<i>Guilders</i>
1913	.	.	.	.	11,304,200·33	· · · · ·
1914	.	.	.	.	113,701,966·94	91,665,073·68½
1915	.	.	.	.	240,992,948·72½	212,889,548·27½
1916	.	.	.	.	222,552,822·25½	222,640,400·99½
1917	.	.	.	.	153,919,052·32½	160,220,917·20½
1918	.	.	.	.	489,850,804·36	417,563,089·29½
Total	.	.	.	.	1,232,321,794·93½	1,105,019,029·45½

¹ Cf. for these data *Milliöcnennota*, 1923, supp. F.

Against these deficits existed :

	<i>Guilders</i>
Balance in hand loan 1910	4,770,000
Total crisis loans	1,092,750,000
Total	<u>1,097,520,000</u>

The government computed that with these loans and the crisis revenue it would be able to meet the crisis expenditure until April 1, 1919, but the ordinary deficits remained. For 1918 the ordinary deficit was estimated at no less than 33 million guilders, and for 1919 at 29 million guilders. Another crisis deficit, moreover, loomed in the distance, as the crisis expenditure was covered only until April 1, 1919; but the crisis expenditure would by no means end on April 1, 1919. The year 1919 began very unfavourably indeed. Although the mobilization was over, many demobilized men had to be supported by the state, if only during the first difficult times in which they had to find a means of livelihood. The provision for food was continued on the same footing, the cost of which during the first four months of 1919 was estimated at 100 million guilders. Unemployment allowances demanded more money than ever. Since 1914 unemployment had never been as general as in the first months of 1919; 2 million guilders monthly were spent on it. The total crisis expenditure after January 1, 1919, still amounted to a monthly average of 60 or 65 million guilders.¹ Small wonder that the Minister proposed a new loan. Computing that the crisis expenditure would cost the state an extra half milliard guilders, another loan had to be issued, this time amounting to 400 million

¹ Memoir of the loan bill of 350 million guilders.

The Minister divided the crisis expenditure from August 1, 1918, until February 1, 1919, as follows :

	<i>Guilders</i>
Military expenditure, monthly	30,000,000
Provision of food, monthly	24,000,000
R.N.R.C., monthly	5,000,000
Various allowances, monthly	2,000,000
Support of foreign refugees, monthly	1,000,000
Subvention from the war tax to communes	1,700,000
Miscellaneous	1,300,000
Total	<u>65,000,000</u>

Handelingen Zitting 1^e Kamer der Staten-Generaal, 1919, p. 259.

guilders.¹ Hence the amounts necessary for the interest and amortization would increase from 52 million to 82,175,000 guilders. But the Minister, in view of this new increase of liabilities, considered the period of redemption too long. He therefore proposed to shorten it to twenty-five years, which meant a further increase of expenditure for the loan service to 97,400,000 guilders. Besides these extra expenses for redemption of the crisis debts, new expenditures were in store for the state now that it could more energetically take in hand its peace task; these expenditures did not appear in the budget estimate of 1914. One must bear in mind that the then Minister of Finance, Mr. Treub, estimated these prospective expenditures at 60 million guilders.² The war had taught the government to handle large figures with facility; accordingly the present Minister of Finance, Mr. de Vries, estimated them at exactly double this amount, or 120 million guilders annually. His computation follows:

	<i>Guilders</i>
New expenditure for education	35,000,000
Cost of social insurance, on account of the granting of the old age pension at the age of 65 instead of 70 years, and increase of benefits from 3 to 5 guilders	25,900,000
For extension and improvement of railways, tramways, and canals, for the draining of the Zuyderzee, ³ for increase of salaries and pensions for additional social services	60,000,000
Total	120,900,000

The Minister exhibited a certain moderation in saying that at first he could do without one fourth of this amount. That left 90 million guilders which were required immediately, increased by the deficit of 1919, estimated at 29 million guilders. If we add to this the 30 million guilders to meet the new estimated requirements of the loan-fund, the total new expenditure amounted to 150 million guilders.

¹ In 1919 it actually appeared that the amount then short in regard to crisis expenditure had been reduced to 30.6 million guilders. But the amount then short in regard to ordinary expenditure had increased to 88.5 million guilders.

² Not quite ten years before, in 1906, the Minister of Finance computed that an amount of 10 million guilders of new revenue would suffice.

³ See *Memoir of Budget Estimate of 1919* (submitted to the First Chamber), Supp. sess. 1918-19, No. 62 A.

During the crisis a bill had been passed (in 1918) to drain the Zuyderzee. The total cost was estimated at 200 million guilders.

Apart from the expenditure on account of the loans, the war period had certainly exerted an influence in bringing about this increase. Even if the object of the expenditure had not changed after 1914, higher estimates would have been required by the general increase of prices. But the government had also increased its social service, in view of the increasing difficulties which the times entailed for the working classes and the increasing discontent which the latter showed in consequence of their more and more straitened circumstances.

The task of the Minister of Finance, Mr. de Vries, to find new revenue was anything but pleasant. He adopted the plan of increasing existing taxes and introducing new ones, being at the moment averse to a single tax. He proposed to extend direct taxation to its extreme limit and to increase the revenue from indirect taxes.

After long debates the majority of the States General adopted his scheme with very few modifications.

The new taxation acts,¹ which for the most part were passed in the first half of 1919, contained the following provisions :

I. The yield of the income-tax was considerably increased. The existing tax had ranged between 0.2 per cent or 1.25 guilders on a minimum income of 650 guilders and 3.31 per cent on an income of 20,000 guilders with 5 per cent for each additional 100 guilders. The new tax began with 0.125 per cent on a minimum income of 800 guilders and rose to 9.225 per cent on an income of 70,000 guilders with 15 per cent for each additional 100 guilders. The Minister computed that this change would bring in an additional 30 million guilders. The yield of the tax in 1917-18 had amounted to 62,474,000 guilders, so that the increase represented 48 per cent.

II. The tax on property was exactly doubled ; instead of 1 guilder on capital of from 16,000 guilders to 30,000 guilders and 0.56 guilder for each additional 1,000 guilders surtax, there was a levy of 2 and 1 guilders respectively.

The Minister was averse to progression in this case. He stuck to the original design of the taxes of 1914 on income and on property. The tax on income had been meant as a progressive

¹ Acts of April 11, 1919, *Staatsblad*, 1919, 169, 170, 171, 172.

levy on both income from labour and income from capital. The tax on property was only a supplementary income-tax, so that another progression would be out of place. The Minister looked forward to an additional yield of 5 million guilders, hence 50 per cent of the yield of 1915-16 amounting to 10,341,000 guilders.

III. The extra tax levied on incomes in favour of the loan-fund was reduced to 25 per cent in order to prevent a considerable increase of these extra loan-charges. Although a levy of 23.5 per cent would have been sufficient to get the same yield as before, the Minister made a round number of it and asked 25 per cent to avail himself of even the smallest advantage.

IV. The fourth alteration in direct taxation consisted of the four defence taxes being extended for another four years; but the rates were somewhat decreased.

(a) The Defence Tax I A, the doubling of the capital tax, was henceforth to amount to 30 per cent of the tax on capital. The Minister expected a yield of 3 million guilders, that is, 873,000 guilders or 22 per cent less than the return of 1916-17.

(b) The Defence Tax I B, like I A, was decreased. Until then the levy had been from 0.075 per cent on a minimum capital of 50,000 guilders to 0.9 per cent on capital of 3 million guilders, with a levy of 0.1 per cent on additional capital. The levy was now to vary between 0.03 per cent and 0.5 per cent; the percentage of levies on capitals exceeding 3 million guilders could be raised to 0.6 per cent. The Minister expected the altered scheme to yield about 9,270,000 guilders or 47 per cent less than the yield of 1916-17.

(c) The progression of the Defence Tax II was decreased. Starting from a minimum income of 1,200 guilders, the rate increased from 2 guilders or 0.151 per cent to 2,888.5 guilders or 3.39 per cent if the income amounted to 85,000 guilders; an unvarying levy of 6 per cent being made on additional income.

Formerly the rate had been 3 guilders or 0.225 per cent, but had not exceeded 4.5 per cent or 3.873 guilders if the income amounted to 85,000 guilders, whereas amounts exceeding this sum had been charged with 8 per cent.

The Minister estimated that the yield would decrease by between 2 and 3 million guilders or from 12 and 20 per cent of the return of 1916-17, which had amounted to 25,209,000 guilders.

What the tax-payer had to pay out of his income for all these taxes, excluding dividend and war profits taxes, before and after the alterations, amounted to :

Size of income	Tax on income from labour		Tax on income and capital ¹	
	1916	1919	1916	1919
<i>Guilders</i>	<i>Guilders</i>	<i>Guilders</i>	<i>Guilders</i>	<i>Guilders</i>
1,000	9.10	8.12	21.10	9.10
2,000	44.00	47.25	92.00	107.25
3,000	98.00	98.50	177.50	191.50
4,000	152.00	149.75	270.50	278.75
8,000	380.00	398.50	707.00	693.00
12,000	642.00	691.00	1,275.00	1,202.00
20,000	1,254.00	1,386.00	2,634.00	2,401.00

The total yield of this taxation amounted to :

Year	Total	Per capita
	<i>Guilders</i>	<i>Guilders</i>
1914 . . .	27,411,000	4.32
1915 . . .	40,624,000	6.29
1916 . . .	97,508,000	14.87
1917 . . .	144,395,000	21.47 ^a

^a *Jaarcijfers*, 1920, pp. 3, 276, 277.

The figures for 1918 were not as yet known.² The figures for 1919 were estimated at 178,200,000 guilders or approximately 26 guilders *per capita*.

The Minister was of the opinion that the extreme limit had been reached here, as these taxes, augmented by similar communal direct taxes, might amount to 35 per cent of the income. Indeed, if the remaining direct taxes were taken into account, there were, according to a statement of the Minister's, some who paid a total of 72 per cent of their income in taxes, even before

¹ The capital is supposed to render 5 per cent.
² The figures for 1918 afterwards appeared to be 145,205,000 guilders or 21.42 guilders *per capita* ; for 1919 respectively 160,126,000 and 23.49 guilders.

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the alterations. The Minister opposed further increase as the additional yield would not be worth while.¹

The revenue which was to be gotten from these sources was far from sufficient. The government scheme mentioned a long list of other taxes of the most varied description.

Under this scheme it was estimated that the population would be charged with :

(A) Direct taxation :	<i>Guilders</i>
An increase of legacy duties, now yielding 25 million guilders	15,000,000
An increase of personal taxation	2,500,000
(B) Indirect taxation :	
Increase of duty on spirits from 90 guilders to 150 guilders per hectolitre	1,750,000
Doubling of exchange duty and of stamp duty for receipts	4,250,000
Tax on tickets	2,000,000
Tax on tobacco, cigars, and cigarettes	20,000,000
Increase in the import duties	13,500,000
Tax on cocoa	1,000,000
Tax on articles of luxury	10,000,000
Total	70,000,000

Inclusive of the 35 million guilders from increase of direct taxes, the extra revenue from taxation would increase to 105 million guilders, 15 million guilders of which would be employed for a strengthening of the loan-fund. But even with this great increase of taxation, an annual amount of no less than 60 million guilders of new expenditure was left, for which extra means had to be provided.

The Minister wanted to levy an indirect tax on invoices, roads, electric power, advertisements, and matches, and two direct taxes, i. e. an increase in the land tax, amounting to 10 million guilders, and a tax on the accession of property, which was to yield 15 million guilders. But several of these new taxes were only vaguely hinted at by the Minister.²

¹ His own words were (we translate): But what is more, I can add that even if I made up my mind to such a progression, the yield would be slight. I made my officials calculate this with the greatest care. I myself had also thought that the yield would be more, but after they had twice figured it for me they said: 'We dare not estimate more than 6,800,000 guilders, and we arrive at an impossible percentage, as there are so very few incomes of this size.' (First Chamber, session of March 13, 1919.)

² For the increase of taxation until the end of the fourth war year, see Annex No. 11, p. 142.

CHAPTER VI

THE INFLUENCE OF THE WAR ON THE GENERAL WELFARE

FOLLOWING the first shock of the war, which all but paralysed the economic activity of the population, was the beginning of hard times for several branches of the national industry. The consumers, in fear of the future, bought as little as possible except food. The luxury industries, such as manufactures of gold, silver, diamonds, art pottery, and porcelain, had to bear the brunt of it. The number of unemployed in the diamond industry, which was already large at the end of July 1914 (43·87 per cent), rose to 96·49 per cent at the end of August and to 91·58 per cent at the end of December 1914. But all industries which did not produce necessities were in a bad way. The clothing and shoe industries, the tapestry industry, building and painting concerns, typography, confectionery, cocoa and chocolate manufactures, the tobacco and cigar industries, were exceedingly slack, and unemployment in these industries increased to between 20 and 30 per cent.

Navigation and the corresponding harbour business suffered very much indeed. The immense reduction in this field of activity is clearly shown by the following official data :

NIEUWE WATERWEG (ROTTERDAM-NORTH SEA) ¹

Date	Average entrance		Average clearance	
	No. vessels	Gross tons	No. vessels	Gross tons
1913, January-July . .	941	1,333,124	941	1,131,119
July-December . .	940	1,163,381	954	1,175,772
1914, January-July . .	959	1,200,122	960	1,192,239
July-December . .	260	296,842	280	328,581

¹ *Maandschrift van het Centraal Bureau voor de Statistiek*, Jan. 1915, p. 4.

THE NUMBER OF DOCKERS AT ROTTERDAM ^a

Month	1913	1914
July	6,504	6,212
August	6,540	2,123
September	6,642	2,158
October	6,613	2,784
November	6,808	2,907
December	5,606	3,109

^a *Maandschrift van het Centraal Bureau voor de Statistiek*, Jan. 1916, p. iii.

Pilotage decreased from 3,724,000 guilders in 1913 to 2,596,000 guilders in 1914. Agriculture, on the other hand, recovered as early as 1914, with the exception of bulb-growing, tree-growing, and nursery concerns, for which the whole period of the war was bound to be disastrous. The total number of unemployed in different trades remained exceedingly high until the end of 1914, as is shown by the following index figures : ¹

January	10·4	May	5·8	September	27·2
February	6·6	June	6·7	October	24·5
March	4·9	July	7·4	November	21·7
April	4·7	August	22·2	December	20·7

Generally speaking the year 1915 also was very unfavourable to commerce and industry. There was no marked change, as yet, in the attitude of the consumers, as they determined to get along without new purchases until the end of the war. The merchants still had a considerable stock of goods, and importation from abroad was, in the main, continued. Hence the complexion of things in 1915 was much the same as it had been in 1914, but a gradual change then set in. Merchants began to be short of stocks, imports from abroad decreased and for some articles stopped entirely. Foreign countries now entered the market as purchasers. The home consumers began to understand that the war, which it had been prophesied would end quickly, might last for years. In view of the fact that prices were beginning to increase, they changed their minds and began storing provisions for fear of a further increase of prices. The foreigners who had sought

¹ *Maandschrift van het Centraal Bureau voor de Statistiek*, Jan. 1919, p. 16.

a refuge in our country, and among whom there were many well-to-do people, did the same. This change became manifest during the course of 1915. At the end of the first quarter the cigar and tobacco industries were again normal. In the clothing industry the index figure of unemployment decreased from 30·1 in January 1915 to 2·3 in March of the same year, in the leather industry from 10 to 3·3, partly in consequence of increased demand for employees in the War Office.

Other industries, such as those dealing with food and luxuries, followed suit. All this is clearly shown by the following index figures of unemployment during the different months of 1915 : ¹

Month	1914	1915	Month	1914	1915
January . . .	10·4	20·3	July . . .	7·4	11·1
February . . .	6·6	17·5	August . . .	22·2	11·0
March . . .	4·9	15·9	September . . .	27·2	10·0
April . . .	4·7	12·8	October . . .	24·5	9·3
May . . .	5·8	11·2	November . . .	21·7	8·1
June . . .	6·7	10·6	December . . .	20·7	8·5

Navigation and harbour traffic continuously decreased, but the fisheries had times of immense prosperity, fish bringing more than twice the price of normal years.²

Year	Guilders	Year	Guilders
1911	21,000,000	1914	23,500,000
1912	22,900,000	1915	56,200,000
1913	26,900,000		

Shipowners, too, drew large profits, as the prices of ships rose with unheard-of rapidity. Vessels which had been built fifteen years ago, and which were all but written off, were sold for several times their original cost. A single cargo might yield a profit of three times the value of the ship. The improvement became much more marked during the following year and spread to a great many other trades. The year 1916 brought relief. Many industries

¹ *Maandschrift van het Centraal Bureau voor de Statistiek*, Apr. 1919, p. 424.

² *Jaarcijfers*, 1919, p. 197.

recovered and drew immense profits. It was the year of the big war-profits and of the founding of many a war-fortune. Holland was flushed with money. Domestic prices rose continuously, and home markets were brisk for any kind of article. The gold and silver industries recovered completely and had plenty of work : so had other luxury industries, such as the furniture industry. Many persons changed their poor faded upholstery for more elaborate furniture or had splendid country seats built for them or rebuilt their offices and storehouses.

Building contracts were signed in behalf of private persons to an amount of 15,583,882 guilders in 1914 ; 14,403,867 guilders in 1915 ; and 25,202,445 guilders in 1916 (of which 8,022,775 guilders were for factories).¹

The need of materials was not yet pressing. Several statistical data point to a general prosperity. Unlike 1914 and 1915, the year 1916 saw the deposits in the state Postal Savings Bank exceed the withdrawals. Strictly speaking, there had been a surplus of deposits ever since May 1915, but the withdrawals during the first four months of that year had been so considerable that the eight following months could not make up for them. The figures of 1914 and 1915 are : ²

Date	Deposits	Withdrawals
	<i>Guilders</i>	<i>Guilders</i>
1914. August-December	21,386,000	25,591,000
1915	67,688,000	67,761,000
1916	85,555,000	72,800,000

Taxable income from May 1916 to May 1917 increased by 710 million guilders, nearly twice the increase of the preceding year, which amounted to 385 million guilders. During the fiscal year May 1916—May 1917, the income-tax yielded 60,583,000 guilders, or 16 million guilders more than the year before. The number of entries for the income-tax amounted to 679,110 on May 1, 1915 ; 757,519 on May 1, 1916 ; 876,013 on May 1, 1917.³

The amount of the current accounts of the Bank of the Nether-

¹ *Maandschrift van het Centraal Bureau voor de Statistiek*, Jan. 1918, p. 102.

² Annual report of the Postal savings bank, 1914, pp. 58, 59; 1917, pp. 52, 53.

³ *Jaarcijfers*, 1919, pp. 158, 304.

lands increased immensely. It amounted to 4,800,000 guilders in 1913-14 ; 28,940,00 guilders from 1914 to May 1915 ; 47,500,000 guilders from May 1915 to May 1916 ; 82,850,000 guilders from May 1916 to May 1917.¹

National energy was taxed to the utmost, as is exhibited by the following table of newly established limited companies :

Year				Number	Capital
					<i>Guilders</i>
1913	.	.	.	1,102	80,307.626
1914	.	.	.	793	69,076.362
1915	.	.	.	563	34,362.452
1916	.	.	.	1,074	91,291.210
1917	.	.	.	1,385	171,427.789
1918	.	.	.	1,035	110,367.920

There was a brisk trade in landed property, as may be inferred from the following figures of mortgage duties ² :

Year				Registration duties	Transfer duties
1913	.	.	.	413,474.25	433,462.52½
1914	.	.	.	381,536.22	322,577.46½
1915	.	.	.	285,979.07½	298,878.98
1916	.	.	.	498,219.37½	637,323.16½

The allowances for the support of persons who had suffered from the war decreased rapidly, as shown by the following figures for Amsterdam :

1915				Guilders	1916				Guilders
March	.	.	.	176,000	January	.	.	.	114,637
April	.	.	.	135,000	February	.	.	.	128,739
May	.	.	.	135,000	March	.	.	.	74,925
June	.	.	.	103,000	April	.	.	.	62,223
					May	.	.	.	55,500
					June	.	.	.	32,894

From April 8, 1916, the National Relief Committee stopped

¹ Medium figures.

² *Statistiek der Rijksinkomsten*, 1916, Table LXI.

tendering relief, as it was of the opinion that only the following industries were still in a bad way¹:

The diamond industry at Amsterdam; the harbour business at Rotterdam, Zaandam, Terneuzen, Harlingen, Delfzijl; the textile industry at Gemert and Hilversum; the earthenware industry at Maastricht; shipping at Philippine.

In that year immense profits were drawn by owners of mercantile and fishing vessels. The fisheries yielded 30 million guilders more than the year before; the profits of shipowners on account of the immense increase in the freight rates² were such that new shipping emissions amounted to:

Date	Emissions	No. newly established companies
	<i>Guilders</i>	
1914	3,800,000	194
1915	6,660,000	122
1916	3,675,000	219
1917	23,265,000	317
1918	17,487,000	217

But this prosperity was not lasting. Many consumers living on fixed incomes began to suffer from the rapid increase of prices, and for many concerns the prosperity of 1916 was followed by a period of increasing decline. The stock of raw materials ran short, and for replenishing this stock it was necessary to resort to the foreign countries from which originally such high profits had been drawn. The tables were turned. Now it was the belligerents who could ask enormous prices for their raw materials, which they provided very grudgingly or not at all. In foreign countries the importation of many articles was prohibited to save tonnage; the aggravation of the maritime war paralysed the sea fisheries and greatly impeded navigation; it became more and more difficult to procure raw materials for our industry and food for our population. People shrank from the ever-increasing prices. The government did indeed hold certain prices down by artificial means, but had to increase taxation in order to do so. Distribution

¹ Reports of the Committee, Bundel II, pp. 9, 10.

² The government paid for transportation of flour in 1915 from 9 to 11.50 guilders per ton and at the end of 1916, 42.50 guilders per ton.

and rationing were resorted to, and in their wake followed underfeeding, shortage of clothes, shortage of shoes, and, above all, shortage of coal, for thousands of people. In the last two years of the war this condition was continually aggravated. Coal especially was scarce and exceedingly dear. The total amount of fuel at the disposal of the population decreased from 8,246,271 tons for April 1, 1916–April 1, 1917, to 5,334,680 tons for the same period in 1917–18. The price movement of coke, delivered at the communal gasworks, was 100 in 1913; 152.10 in 1916; 95.58 in 1914; 123.75 in 1915; 224.06 in 1917; 273.40 in 1918.¹

It was not only the industries that suffered, but the whole population. Especially was the winter of 1917–18 bad. In the cold spring of 1918 thousands upon thousands of people were without fuel. Railway traffic decreased continuously, while the fares increased 150 per cent. In the principal towns the latest trains arrived at ten o'clock or at half-past ten. Street lighting all but disappeared, greatly increasing the risk of crime, and home lighting was reduced to a minimum.

Sundry building materials were soon used up, and building became so expensive that job-building—that is building undertaken with a view to profits—was all but stopped.

The communal building inspection board at Rotterdam, in their report of 1917, estimated the cost of building a house for the average citizen at 7,243 guilders in 1914; 9,959 guilders in 1916; 16,800 guilders in 1918 (or 132.6 per cent more than in 1914).

The shortage of houses really became serious. According to the communal building and housing inspection board at Amsterdam, there was in this town of 660,000 inhabitants a shortage of 15,000 houses in 1917–18. And in other places it was just as bad.

There was little or no importation of cotton, and unemployment in the textile industry, which in 1913 amounted to an average of 3 per cent, was increased to 31.5 per cent in 1917. Factories of pottery, glass, bottles, chemical products, and rice factories were either running on part time or stopped. In 1918 petroleum, oil, tin, and other commodities disappeared; to the shortage of coal was added a shortage of fat; meat became a luxury unattainable by 80 per cent of the population; and symptoms of underfeeding

¹ *Maandschrift van het Centraal Bureau voor de Statistiek*, Mar. 1919, p. 305.

manifested themselves. In Holland, as elsewhere, people began to produce and to trade in substitutes to an objectionable extent. All kinds of stuff were substituted for butter; instead of real honey there was a 'breakfast honey' prepared from glucose; cereals were displaced by so-called 'strength food', at best prepared from milk-powder; milk was skimmed, or there was none at all; for sugar there was a mixture containing saccharine; and so on. The annual report of the State Bureau for the Examination of Commodities for 1918 gives extraordinary instances of the frauds perpetrated upon the public as the result of this frenzy for substitutes. It gives the following statement concerning some substitutes for meal:

The materials were very often bad, mouldy tapioca meal, full of mites, coming in for a large share, while meal from flower-bulbs and beans was also used.

Coffee substitutes were manufactured from lupine seeds, carrots, beet-roots, etc.; a sample of furniture polish consisted of starch paste; and a sample of hair restorer consisted of arsenic.

Distribution and rationing spread rapidly, and the country was overspread with a perfect network of government bureaux and an army of officials. Inequalities became more marked, some few drawing immense profits but an ever-increasing number coming to grief. Officials with small salaries, and the working classes, had a very hard time, as also the wholesale and retail dealers and the middling and small concerns which had but little capital and had to buy at a disadvantage. For all of them the golden times were gone. Some persons made fabulous profits, i.e. the profiteers, the smugglers,¹ and some great industries. This is indicated by the following table of the yield of the tax on manufactured gold and silver:²

Year		Guilders	Year		Guilders
1913	.	509,000	1916	.	640,000
1914	.	355,000	1917	.	683,000
1915	.	476,000	1918	.	767,000 ³

¹ According to the *Official Statistics of the Poor* (1916, p. lxi), destitution in the boundary districts diminished considerably in 1916 in consequence of smuggling.

² *Jaarcijfers*, 1917, p. 311.

³ *Jaarcijfers*, 1920, p. 277.

Shipowners continued to gain millions, as did also some owners of fishing vessels, shoe manufacturers,¹ and cigar manufacturers ; but the mercantile fleet suffered severe losses, and the unemployment of a large part of the labourers concerned in it was in flagrant contrast to the profits of the few. The following table shows this clearly :

DAILY EMPLOYMENT OF HARBOUR HANDS AT ROTTERDAM²

Year	No. hands	Year	No. hands
1913	6,414	1916	2,424
1914	4,443	1917	1,302
1915	3,128	1918	995

The increase of unemployment is exhibited by a comparison of the years 1916, 1917, 1918, when the monthly index figures of unemployment amounted to³ :

Month	1916	1917	1918
January	8.4	7.1	9.7
February	7.1	11.4	7.9
March	5.8	7.6	6.4
April	5.3	6.7	7.0
May	4.7	6.0	6.3
June	4.4	5.6	6.3
July	4.1	5.0	6.3
August	4.3	5.3	6.6
September	4.4	4.9	7.0
October	4.2	4.9	6.8
November	4.2	6.0	8.2
December	5.2	7.9	10.9

Agriculture remained prosperous all through. The scarcity of raw materials was felt, it is true, but this was amply made up by the high prices of all dairy products.

¹ It happened that in October 1918 the price of shoes in one day increased from 14 guilders to 22.50 guilders ; that shoes costing 21.50 guilders were sold for 50 guilders ; indeed in some large towns 100 guilders were spent for shoes which originally cost 15 guilders.

² *Maandschrift van het Centraal Bureau voor de Statistiek*, Jan. 1919, p. 25.

³ *Ibid.*, April 1919, p. 424.

PRICES PER 100 KILOGRAMS ^a

Commodities	1901-14	1918	1919
	<i>Guilders</i>	<i>Guilders</i>	<i>Guilders</i>
Wheat	8.75	25.00	30.00
Rye	7.60	26.00	33.50
Winter barley	9.00	20.00	24.00
Summer barley	9.20	21.00	25.00
Potatoes cultivated on clay	3.50	6.50	7.00
Potatoes cultivated on sand	2.25	6.50	7.50

^a Cf. *De Vakbeweging*, Friday, Oct. 3, 1919. Periodical of the Netherland *Verbond van Vakverenigingen*.

PRICES OF FARMS OF GRONINGEN

Year	Guilders
1914	95
1915	177
1917	243
1918	368

The pressure on the population became heavier every month, and people reduced their expenditure to the most extreme limit. Articles of daily use were made to last as long as possible, but finally the long-worn clothes wore out and new boots had to be bought. Many had to encroach upon their small capital or were obliged to sell their furniture to keep from running into debt. Under-nourishment was evident; morals began to deteriorate. Hoarding provisions at the cost of one's fellow men was diligently practised, even by honest people; criminality increased rapidly; ¹ the prisons were crammed; bloody riots took place in the large towns.

The most general manifestation of the difficulties of the time consisted in the high cost of living and the reduced rations. Those who suffered most severely were those who lived on fixed incomes derived from labour or from capital. Officials, labourers, and small capitalists were victimized to a painful degree.

¹ In 1918 there were about 350 professional burglars in The Hague, as contrasted with some 25 in 1914. In 1918 alone, thefts in this commune amounted to 1,500,000 guilders. In the beginning of 1919 hordes of burglars patrolled the Amsterdam streets, committing their robberies in broad daylight, choosing by preference what lay exposed for sale in the shop windows of jewellers and goldsmiths.

A computation of the increase of prices of various articles will furnish only an unsatisfactory answer to the question, To what extent did the increase of prices diminish the value of the incomes of the population? To answer this question adequately one should know to what extent sundry articles are indispensable to man.

Both the state and the municipality of Amsterdam investigated this matter and published highly valuable statistics. The expenditure of twenty Amsterdam labourers' families during the war period was carefully investigated. Of the total amount expended for food, the following table shows the percentage expended for the individual commodities listed:

PERCENTAGE OF EXPENDITURES FOR FOOD COMMODITIES

Commodity	Expenditure
	<i>Per cent</i>
Bread, biseuits, and cake	24.1
Cereals (beans, pease, and groats)	5.0
Milk and eheese	18.6
Meat and eggs	15.8
Fats (butter, margarine, fat, oil)	18.5
Groceries	21.0

On the basis of these data, a computed average was established which corrected the simple average. The results were as follows¹:

Commodity	Index of prices (1913 = 100)				
	1914	1915	1916	1917	1918
Bread	106.5	121.0	115.3	147.7	162.4
Other cereals and groats	107.1	132.7	135.3	175.7	148.1
Milk and eheese	103.0	108.7	114.5	129.9	160.0
Meat	99.6	116.6	107.0	103.7	197.6
Fats	103.8	124.1	125.7	168.4	183.6
Groceries and luxuries	100.2	112.2	136.5	187.6	212.2
Rough average	103.5	119.5	128.0	164.1	178.4
Computed average	103.0	117.2	120.9	150.4	180.6

¹ *Statistische Mededeelingen*, published by the Municipal Statistic Board at Amsterdam, No. 54, second edition, pp. 6, 7.

Toward the end of the four years of war twice as much income was needed in order to live on the same plane as before the war. That the computed average of 1916 is lower than that of 1915 is explained by the fact that some important articles were controlled, which reduced prices.

Commodity	1915	1916
	<i>Guilders</i>	<i>Guilders</i>
Rice per $\frac{1}{2}$ kilogram	0.17	0.128
Fat per $\frac{1}{2}$ kilogram	1.00	0.85

Cheese and pork were also much cheaper in 1916 than in 1915.

Commodity	1915	1916
	<i>Guilders</i>	<i>Guilders</i>
Cheese per $\frac{1}{2}$ kilogram	0.58	0.478
Pork	1.25	0.98

Important data were furnished by the careful entry of the expenses of a group of families of working people. In February and March 1917 the Labour Inspection Service kept account of the expenditure of 3 such families living at Amsterdam, and during the same months in 1918 the expenditure of 36 families. It arrived at the conclusion that, compared with 1911,¹ in which year prices did not notably differ from those of 1914, a family of working people, if it continued to live on the same plane, saw its expenditure increase as follows : ²

Date	Per cent
February-March 1917	32.10
August 1917	41.60
February-March 1918	62.80
August-September 1918	82.10
November-December 1918	76.20

¹ This year was taken as a base to agree with a similar inspection which had been undertaken by private persons some time before.

² *Maandschrift van het Centraal Bureau voor de Statistiek*, Mar. 1919, p. 306.

hence, during 1917, about 40 per cent, and during 1918 about 75 per cent.

If these figures were taken as a basis for the computation of the general increase of prices, a much too low estimate would result, as working people spend relatively much more on food than other classes, as shown in the following table : ¹

Incomes	Amount spent on food
<i>Guilders</i>	<i>Per cent</i>
6,000	25·7
3,000	36·3
Working family	45·4

And it was the principal food products which were rationed and for which maximum prices had been fixed.

The so-called 'free goods', as their prices increased more frightfully on account of profiteering, were only to be had by those who were better off. Hence it is no exaggeration to say that the average increase of prices was 20 per cent during 1915 ; 35 per cent during 1916 ; 50 per cent during 1917 ; 80 per cent during 1918 ; or, an annual average of 46 per cent.

Nearly all through 1919 prices remained at the same height. A silent but stubborn warfare was being waged between producers and merchants on one side, and consumers on the other. The latter, now that the tide had turned and better times were in sight, bought as little as possible ; the producers and the merchants, spoiled by the prodigality of a large part of their customers, who for fear of still greater increase of prices kept on buying, had, notwithstanding the higher cost price of many articles, manufactured and bought large stocks which they did not intend to sell at a loss. The battle was continued for some months. Some industries began to waver rather soon ; oils and fats became much cheaper, as also iron manufactures. But prices in general remained high on account of scanty importations and extensive exportation.² Although in future, when conditions return to normal, prices cannot but decrease, still it is probable

¹ *Ibid.*, p. 307.

² See Annex III, *post*, p. 143.

that the price of many articles will remain high on account of the increase in wages and the inflation of currency.¹

The question whether there is now any inflation in Holland is hard to answer, for although the stock of money is much larger than in ordinary times,² there are many persons who have hoarded it, while others have deposited theirs in some bank because they had no employment for it. And next to this the still prevailing general uncertainty calls for a larger circulation of money as the quantity of credit, formerly a matter of habitual occurrence, has in the case of many transactions been either curtailed or replaced by cash payments.

If inflation exists, it has no influence on the purchasing power of the national income, taken as a whole. For it is evident that in the absence of inflation not only the rate of prices but also the total amount of the national income would have been less—and consequently the purchasing power of the national income in its entirety would have remained at par.

To what extent the different groups of the population are influenced by inflation is quite another question. In the first place it is the possessor of capital who suffers from it. The fixed interest on obligations represents a smaller purchasing power. The capitalist has become poorer. As regards shares of stock representing property right in an industrial enterprise, this

¹ The industries and the wholesale concerns nearly all united in a powerful organization, and with might and main opposed a decrease of prices. This goaded the consumers to a growing opposition; during the course of the year they began uniting into local or into still smaller organizations, and succeeded in gaining their end by favouring tractable industries and wholesale concerns and by buying directly from abroad. Profiting by the extraordinarily low rate of the mark, it was especially from Germany that sundry articles were ordered direct. Rather curious were the furious contests in the newspapers between consumers who charged their purveyors (booksellers for the most part) with profiteering (by means of sticking to the pre-war rate of the mark) and the groups attacked, who tried their best to defend themselves.

² Coinage of silver amounted to 2 million guilders in 1911; 3 million guilders in 1912; 8 million guilders in 1913; 15,785,000 guilders in 1914; 14,215,000 guilders in 1915; 5 million guilders in 1916; and 2,300,000 guilders in 1917. (*Jaarcijfers*, 1913, p. 264; *ibid.*, 1916, p. 269; *ibid.*, 1917, p. 273.)

Since the outbreak of the war a total of 35 million guilders was coined, and a total of 67,500,000 guilders silver bonds issued. Nevertheless it was estimated by the president of the Bank of the Netherlands that a total amount of 105 million guilders of silver money had been withdrawn from circulation. The circulation of bank-notes increased from 310,437,000 guilders in July 1914 to 1,100,948,000 guilders in Jan. 1919.

loss will be compensated for in the long run by the higher market value that is certain to be placed on the stock.

For persons receiving salaries, inflation is a loss if it is not followed by an increase of pay, but even so it remains open to doubt whether the increase is an adequate compensation.

Business men will, relatively, be the least troubled by it, in so far as their customers do not belong to the salaried classes and in so far as they do not sell products whose use is only limited.

It is to be hoped that to a certain degree an inflation may indeed occur, since this is a simple means of getting rid of a part of the immense war debts. We may recall that in former times, especially after the Napoleonic wars, inflation has proved the only escape from bankruptcy. It is not to be denied that the decrease of debts in this way amounts practically to a tax on capital and a partial tax on income, but such a tax would be levied gradually and so be easily borne.

In comparing the totals of national income before, during, and after the war alongside of the inflation of prices, we have to take account of the amount of taxation consequent upon the crisis expenditure.

For the covering of the crisis expenditure (interest and redemption of the loans) the population paid : ¹

Year				Direct taxation	Excise duties
				<i>Guilders</i>	<i>Guilders</i>
1915	.	.	.	13,700,000	7,000,000
1916	.	.	.	55,400,000	8,600,000
1917	.	.	.	247,400,000	9,500,000
1918	.	.	.	249,900,000	10,000,000
Total	.	.	.	566,400,000	35,100,000

Direct taxation is all borne by the taxable national income, that is, by the more prosperous classes. Some of the indirect taxes fall on the same class, as the poor have very little concern with stamp duties. But it is otherwise with excise duties. Sugar

¹ *Jaarcijfers*, 1920, p. 275.

duties weigh down the whole population, but this is not the case with the duties on wine and spirits. Hence it is only the sugar duty which is not exclusively levied upon the taxable national income. And, in comparison with the total extra taxation, amounting to 566,400,000 guilders, the yield of the sugar duties, amounting to 25 million guilders, is small, especially that part of it which is paid by persons whose income is too small to be taxed.

In the first place, the taxable national income is diminished by the full amount of crisis taxation during the four years of war. For the period after the war it will be diminished by the taxes necessary for interest and amortization of the funded debt, in which the remaining part of the crisis expenditure will be consolidated. The cash value is exactly represented by the amount of this funded debt, so that the size of this loss can be computed in full.

When computing national income and national capital one meets with difficulties which make it impossible to arrive at exact figures. In 1915 the taxes on income and capital, together constituting the 'divided' income-tax, were replaced by a general income-tax, the tax on capital being maintained as a supplementary levy. The tax on incomes from trades, professions, etc., fell upon incomes of a minimum of 600 guilders, incomes derived from capital in so far as the capital was less than 13,000 guilders. The capital tax commenced with capital of 13,000 guilders.

Since May 1, 1915, the income-tax reached all incomes of a minimum of 650 guilders, no matter what their source, while the capital tax only fell upon incomes of more than 16,000 guilders. For this reason we are limited to approximations in trying to compare the years before and after the crisis period. As until May 1, 1915, the divided income-tax had not fallen upon incomes from capital but upon the capital itself, the income derived from national taxable capital must be deduced from the capital and added to the income from professions, in order to get a rough survey of the total taxable national income.

The following survey has been computed in this way:¹

¹ *Jaarcijfers*, 1917, p. 154; *Statistiek der Rijksinkomsten*, 1913, p. 35; *Ibid.*, 1914, p. 35.

Fiscal year	Taxable income from trades, professions, etc.		Taxable capital		Total taxable income
	No. of incomes taxable	Amount taxable	Total amount of capital ^a	Income at 5 per cent	
		<i>Guilders</i>	<i>Guilders</i>	<i>Guilders</i>	<i>Guilders</i>
1904-5 .	332,470	460,100,000	6,218,000,000	310,000,000	771,000,000
1909-10 .	438,911	589,000,000	6,893,000,000	344,650,000	933,650,000
1914-15 .	583,839	784,000,000	7,680,000,000	384,000,000	1,168,000,000

^a Exclusive of capital less than 13,000 guilders.

The taxable income is seen to have increased from 1904-5 to 1914-15 by 397 million guilders or an average of 39.7 million guilders annually, being 5.15 per cent for the first year. If now this increase is taken as a basis for another normal period of nine years, the result in case of non-existence of the war would have been :

		<i>Guilders</i>
1915-16.	1,168 million and 5.15 per cent or 60.15 million guilders .	1,228,250,000
1916-17.	The same and twice 60.15 million guilders . . .	1,288,400,000
1917-18.	The same and three times 60.15 million guilders . . .	1,348,650,000
1918-19.	The same and four times 60.15 million guilders . . .	1,408,800,000

In reality the taxable national income (according to the new income-tax) proves to be : ¹

	<i>Guilders</i>
1915-16	1,334,000,000
1916-17	1,724,000,000
1917-18	2,064,000,000
1918-19	2,140,000,000

But these last figures have to be diminished by the crisis taxation and by the raised valuation of the national income on account of the increase of prices as shown in the two following tables :

REDUCTION OF NATIONAL INCOME DUE TO TAXATION

Year	Crisis taxation	Reduced income
	<i>Guilders</i>	<i>Guilders</i>
1915	21,500,000	1,312,500,000
1916	64,000,000	1,660,000,000
1917	256,900,000	1,807,100,000
1918	259,900,000	1,880,000,000

¹ *Statistiek der Rijksinkomsten*, 1918, p. 38.

REDUCTION OF NATIONAL INCOME DUE TO INCREASE OF PRICES

Year	Increase of prices	Reduced income
1915	20	100/120 of 1,312,500,000=1,093,700,000
1916	30	100/130 of 1,660,000,000=1,276,900,000
1917	50	100/150 of 1,807,100,000=1,204,700,000
1918	80	100/180 of 1,880,000,000=1,044,400,000

If we compare the estimated income and the reduced actual income for the years 1915-19, we will find that the total decrease of taxable national income during these four years was 654.4 million guilders.

Year	Estimated income	Reduced actual income
	<i>Guilders</i>	<i>Guilders</i>
1915	1,228,250,000	1,093,700,000
1916	1,288,400,000	1,276,900,000
1917	1,348,650,000	1,204,700,000
1918	1,408,800,000	1,044,400,000

But the actual national income is much larger, as there are a great many persons who have an income of less than the minimum income taxed. In the Netherlands there are about 1,500,000 men above 25 years. Even if we assume that all persons from whom the income-tax was collected were men, about a million men would be left who earn less. However liberal our estimate, there are still left at least as many men who do not earn enough to pay an income-tax as those who do. If their average annual income were put at 400 guilders their total income would amount to 200 million guilders. But the result of special investigations supports the hypothesis that the lower the standard of living the heavier the burden of increased prices. It is certainly a moderate estimate to assume another loss of 200 million guilders for this group.

Hence the total monetary loss to the population during these four years amounts to 854 million guilders, that is to say, the population has had to do without the goods and service it might have procured for this amount.

To what extent this loss will prove lasting cannot be predicted. That depends on an eventual decrease in prices and on an increase in purchasing power in consequence of a resuscitation of the different branches of national industry. If industry survives a decrease in prices, the permanent loss will chiefly be borne by capital. It is hard to say whether any loss of capital—taken in the sense of private capital—took place during the crisis.

Statistics exhibit the following figures relating to taxable capital:¹

Fiscal year	From 15,000 guilders	Fiscal year	From 16,000 guilders
1904-5 . . .	6,089,000,000	1915-16 . . .	7,311,000,000
1909-10 . . .	6,556,000,000	1916-17 . . .	7,841,000,000
1913-14 . . .	7,459,000,000	1917-18 . . .	8,888,000,000
1914-15 . . .	7,532,000,000	1918-19 . . .	11,379,182,000 ²

To all appearance there has been an immense increase of capital, especially in 1917.³

Influenced by the abnormally high profits, the rise of shares in a number of industrial undertakings was even more rapid than the fall had been in 1915-16. By slow degrees people are getting sober again; the normal complexion of things is returning and there is no doubt that many stocks will fall. According to the tax officials, the large increase of 1917 must be ascribed to a large extent to the much sharper control which since the enforcement of the war-profits tax has made people refrain from placing their capital at too low a figure. There is good ground for this opinion. The tax-payer's anxiety is reflected in the large amount of so-called 'conscience money' paid by anonymous persons to the exchequer to indemnify it for their false entries. This 'conscience money' amounted to :

Year	Guilders	Year	Guilders	Year	Guilders	Year	Guilders
1910 .	6,134	1912	27,075	1914	65,879	1916	260,878
1911 .	2,637	1913	5,091	1915	69,720	1917	217,805 ⁴

¹ *Jaarcijfers*, 1917, p. 154.

² *Jaarcijfers*, 1920, p. 148

³ This state of affairs was not revealed before the fiscal year 1918-1919, when the tax scale applied was based on the means actually possessed on the 1st May 1918.

⁴ *Statistiek der Rijksinkomsten*, 1918, p. xxxv; *ibid.*, 1920, table 1, no. 178.

A warning against too optimistic expectations lies in the estimated amount of taxable income during 1918. Practically, this amount indicates a considerable decrease. Landed property as an item of capital was for the first time estimated at its actual value instead of on a basis of the estimated annual produce as determined by the tax on landed estates. Although this new estimate was considerably higher, the total amount remained the same. The Minister explained this by the abnormally low quotation of bonds on May 1, 1918. This quotation was indeed very low, partly on account of the monetary depression caused by the crash of the well-known Amsterdam stock-jobbing company, Erdmann and Hettey (April 23, 1918).¹

¹ In 1919 and 1920 the speculation rage continued, and the prices of shares, land, and goods were constantly swept higher up. The crisis in the Netherlands set in during the autumn of 1920, and the highly swept up valuation of shares had soon to make room for a great decline. The taxable national wealth, which according to official statements amounted to 13,585,000,000 guilders in 1920, receded to 300 millions during 1921.

CHAPTER VII

THE EFFECT ON DIFFERENT GROUPS OF THE POPULATION

THE population may be divided into : a group consisting of the labouring classes, with annual incomes ranging from 600 guilders to 1,300 guilders ; a group consisting of the lower middle classes, that is small shopkeepers, small industrials, clerks, and lower officials in public service, with annual incomes ranging from 1,300 guilders to 3,000 guilders ; the middle classes, that is higher officials, judges, teachers in the secondary schools, managers of middling concerns, etc., with incomes from 3,000 guilders to 6,000 guilders ; and the upper classes with large incomes.

As mentioned above, the burden of the crisis period was heaviest upon the smallest incomes. Those with comfortable incomes might reduce their expenditure, but this was all but impossible for those who had to spend the larger part of their incomes on necessities, as doing so would lead to actual physical need.

Hence it was the working classes that were especially borne down by the pressure of the times. This pressure was caused by two circumstances : (a) increase of prices ; (b) unemployment. It was offset by increase of wages and by relief.

In 1912 a private institution published the results of an investigation into the budgets of some seventy working-class families living in different parts of the country.¹ These labourers, who for the larger part belonged to the class of skilled workmen, earned wages varying between 500 guilders and 1,500 guilders. Even at that time the condition of the labourers was described as far from favourable. The wages of the head of the family were

¹ *Arbeiders budgets, Jaarbudgets van 70 Arbeidersgezinnen in Nederland. Rapport eener enquête der sociaal-democratische Studie-club te Amsterdam ; Brochurenhandel der S.D.A.P. Keizersgracht 378, Amsterdam.*

not sufficient, as a rule, and additional income from extra work by the husband, his wife, or his children, was often indispensable.

The paper published the following survey of the total average income : ¹

SURVEY OF AVERAGE INCOME

Source	Per cent
Wages of husband	82.94
Extra wages of husband	2.08
Wages of wife	3.23
Wages of children	6.88
Boarders and tenants	3.11
Co-operation dividend	0.55
Other income	1.21
Total	100.00

Personal information given by the families themselves is accompanied by the ever-recurring complaint that only with the greatest exertion and economy could the normal expenses be met.

Enlarging on this paper, a branch of the state service during the months of February and March of the years 1917 and 1918 investigated the budgets of thirty-nine Amsterdam working-class families living on the same plane as the families investigated in 1911.

To facilitate comparison, the husband was taken as a unit, the wife being 0.90, the children from infancy to three years, respectively, 0.15, 0.30, 0.30, 0.35, and further for each year 0.05 more, until the fourteenth year.

The investigation showed that if a family of working people could have continued during the crisis period their ordinary way of living of 1911, the weekly expenditure per unit of the family would have been as follows : ²

¹ *Ibid.*, p. 17.

² *Arbeiders budgets* (ed. by the Directie van den Arbeid), Bundel No. 22, pp. 90, 91 ; Bundel No. 22 *bis.*, pp. 92, 112.

Items	1911	1917 February- March	Increase since 1911	1918 February- March	Increase since 1911
	<i>Guilders</i>	<i>Guilders</i>	<i>Per cent</i>	<i>Guilders</i>	<i>Per cent</i>
I. Potatoes . . .	0.19½	0.27½	40	0.22	12
Bread, biscuit, etc.	0.55	0.72	31	0.72	31
Groats . . .	0.11½	0.15½	34	0.13	13
II. Milk . . .	0.34	0.50½	48	0.56	65
Butter and mar- garine . . .	0.20	0.26	29	0.32½	63
Eggs . . .	0.03½	0.07	100	0.09½	165
Cheese . . .	0.08½	0.11½	25	0.16	87
III. Meat . . .	0.28	0.42	50	0.59½	113
Fat . . .	0.15½	0.20½	31	0.22½	46
Fish . . .	0.04½	0.03½	25	0.06½	41
IV. Sugar . . .	0.14½	0.17	18	0.17	16
Coffee . . .	0.08½	0.15	75	0.27½	225
Tea . . .	0.05½	0.08	46	0.11	100
Groceries . . .	0.19½	0.30	54	0.36½	147
V. Vegetables . .	0.13	0.13	—	0.16½	26
Fruit . . .	0.04½	0.04½	—	0.09	100
Fuel . . .	0.08½	0.14	63	0.20½	140
Lighting . . .	0.27½	0.28	2	0.41	49
Washing materials and polish . . .	0.11	0.17	57	0.28	155
Rent . . .	0.94	1.04	10	1.04	10
Beer . . .	0.03	0.03	—	0.03	—
Spirits, tobacco .	0.01	0.01	—	0.01	—
Cigars . . .	0.10	0.16	59	0.26	161
Fund . . .	0.19	0.19	—	0.22½	19
Contributions . .	0.19½	0.20½	5	0.24	22
Taxes . . .	0.06	0.07	16	0.07	16
Clothing . . .	0.55½	0.84	52	1.59	185
Shoes . . .	0.19½	0.42	115	0.37½	93
Miscellaneous . .	0.44½	0.53½	20	0.61	37
Total . . .	5.84½	7.72½	32.1	9.61½	64.6

In reality the labourer spent much less. He restricted his expenditure and lowered his standard. His actual expenditure is shown by the following table :

ACTUAL EXPENDITURE OF THE LABOURER^a

Items	1911	February 1917	Reduced to prices of 1911	February 1918	Reduced to prices of 1911	Comparison of expenditures (1911 = 100 per cent)	
						1917	1918
	<i>Guilders</i>	<i>Guilders</i>	<i>Guilders</i>	<i>Guilders</i>	<i>Guilders</i>	<i>Per cent</i>	<i>Per cent</i>
Food	2·65½	3·30½	2·48½	3·68	2·53	124	139
Rent	0·94	0·95	0·86½	0·92	0·84	101	98
Heating and lighting	0·36	0·35½	0·30	0·41	0·24½	99	114
Clothing	0·55½	0·19½	0·12½	0·30	0·10½	34	54
Shoes	0·19½	0·23	0·10½	0·25½	0·13	118	131
Washing materials and polish	0·11	0·17	0·10½	0·23	0·09	155	209
Fund and contributions	0·38½	0·44½	0·43½	0·44	0·36½	116	114
Taxes	0·06	0·09	0·08½	0·11	0·09½	150	183
Miscellaneous, including tobacco, beer, etc.	0·58½	0·72½	0·55	0·69½	0·45	124	119
Total	5·84½	6·46	5·05½	7·04	4·85	110·5	120·4

^a Arbeiders budgets (ed. by the Directie van den Arbeid), Bundel 22 bis., p. 118.

That he was able to pay this and did not go down still further was due to the increase of wages.¹ According to information given by the Labour Inspection, this increase, with the year 1911 as a basis, had to be fixed at about 19 per cent until 1917 and at 33 per cent until 1918.

It follows from this that the groups of labourers whose expenses had been examined had lowered their standards in the beginning of 1917 by 13 per cent of their expenditure of 1911, and in the beginning of 1918 by 31 per cent of their expenditure of 1911. With regard to this lowering of standards, the greatest reduction was in clothing. In 1917 the amount expended for garments was half the amount expended in 1911, and this was reduced to less than one-fifth in 1918. The report justly observes that this reduction became an increasingly serious matter with the prolongation of the war. Toward the end the limited clothing supply of the poor was used up; the time for mending and re-mending was over, and new purchases had become unavoidable, regardless of all sacrifices. Dainties to be eaten with one's bread and butter, and all kinds of sweets and delicacies, had long since disappeared.

Milk and cheese were reduced to the utmost; butter was replaced by margarine—that is to say, if one had the means even for that; there was a reduction in fuel and lighting to such an extent that many families did not even consume the scanty

¹ Annex IV, *post*, p. 144.

minimum ration of 10 units ; in several families washing could be done once in a fortnight instead of once a week ; the daily ration of bread, the principal food of the labourer, had been reduced to 200 grammes ; and the decrease in the ration of pulse had considerably raised the consumption of potatoes. Besides, the potatoes which were distributed were not always good, which was a source of great discontent. The increase of prices continued up to September 1920, at which time the index figure of costs of livelihood for labourers' families amounted to 222.7.¹ Thereafter a gradual reduction set in which up to September 1922 amounted to 52.9.²

The index figure of the wholesale trade price of 53 articles increased from 121 in 1914 to 285 in September 1921, and thereupon decreased to 162 in September 1922.

It is distressing to note the increase of taxation, amounting to 100 per cent, as a large part of the labourers had only become taxable after their increase of wages.

Moreover the labourers were sorely pressed by the shortage of houses, and the number of tenements for the working classes was far from sufficient.

The losses incurred by the working classes on account of the high cost of living may be exhibited as follows :

Total number of industrial and building labourers	.	.	800,000
Their wives and children (30 per cent)	.	.	240,000
Total number of employed men	.	.	560,000
<i>Guilders</i>			
Average weekly wages amounting to 12 guilders in 1914 ($560,000 \times 52 \times 12$)	.	.	349,440,000
Average weekly wages amounting to 14.28 guilders in 1917 ($560,000 \times 52 \times 14.28$)	.	.	415,833,000
Average weekly wages, amounting to 15.96 guilders in 1918 ($560,000 \times 52 \times 15.96$)	.	.	463,337,000

In order to retain the same purchasing power, their wages should have been 461,360,000 guilders in 1917, or 45 million guilders more ; 573,763,000 guilders in 1918, or 108 million guilders more.

For the two preceding years there are no data available. Taking into account the originally much less considerable increase

¹ The index number at 100 was fixed for the year 1911.

² *Maandschrift van het Centraal Bureau voor de Statistiek*, October 1922, pp. 902, 905.

of prices, the shortage in these two years may be put at 50 million guilders. And this implies a total of 200 million guilders.¹

This calculation is much too favourable, however. For the computation assumes that all labourers were employed during the crisis years. This, of course, is not correct. Statistics already given point to considerable unemployment. It is true that many unemployed persons got monetary relief; but, first, this relief was not extended to all, and, secondly, it was never high enough to make up for the usual wages. The unemployed person was only granted 70 per cent of his wages at the most, but very often the allowance was much less.

But let us take it for granted that all unemployed persons got an unemployment allowance; the result would then be as follows:

Year	Unemployment ^a	Surplus over average	No. labourers
	<i>Per cent</i>	<i>Per cent</i>	
1911-13	3.9		
1914	13.8	10.0	80,000
1915	12.0	8.2	65,600
1916	5.1	1.3	10,400
1917	6.5	2.7	21,600
1918	7.5	3.7	29,600

^a Average.

Hence the minimum loss of these labourers was:

	<i>Guilders</i>
1914 : 80,000 × 0.30 × 12	guilders × 52 = 14,976,000
1915 : 65,600 × 0.30 × 12	.. × 52 = 11,280,000
1916 : 10,400 × 0.30 × 12	.. × 52 = 1,946,000
1917 : 21,600 × 0.30 × 14.28	.. × 52 = 4,811,000
1918 : 29,600 × 0.30 × 15.98	.. × 52 = 8,378,000
Total	41,391,000

The loss which the unemployed labourers sustained during the four war years may thus be roughly estimated at 41 million guilders.

For the officials, clerks, etc., of the second group, it was

¹ One might object that the computation is based on the complexion of things during the first quarter of the year instead of the full year. The point is not of great importance, but so far as that goes matters changed for the worse during the course of these two years, so that the figures are more likely to be too low than too high.

certainly not less difficult to make both ends meet. They were unable to increase an income which had been all but insufficient in ordinary times. In the *Ninth Economic Note*, published by the Minister of Agriculture in 1917, it is stated that the circumstances were such that an income of 3,000 guilders meant the verge of destitution for those who, before the war, had established their standard of life accordingly. Two years later the Minister of Finance declared that persons with incomes from 5,000 to 10,000 guilders had the greatest difficulty in making both ends meet.

These two statements are typical of the circumstances. One may infer from them how very hard the times were for a great many persons who, it is true, also belonged to the class of officials but who earned much less than the above-mentioned group, their salaries often being inferior to the pay of labourers. While the labourer was often able to get along somehow, as he was untrammelled by his social position, the official had to keep up appearances and had to dress differently, had to live in a more genteel house, and send his children to a better school.¹

They suffered a great deal, the assistance which was rendered them coming too late and being very inadequate. Not until the year 1916 did the state allow them a high cost of living bonus on their salaries, and even that was limited to the lower officials. Those who had a maximum income of 1,200 guilders received in 1916 a bonus of 8 per cent, and 7 guilders for each child. Hence it was only the lower clerks of the departments, the teachers with the smallest salaries, and the labourers employed by the state, who were helped by this allowance. And even so, the allowance was not much, the increase of prices being at least double the amount of the 8 per cent bonus. This was officially acknowledged. In 1916 the Minister of Agriculture wrote: 'The bonus which has been granted to the state officials is only a small offset against the increase in the cost of living.'

No less than 38,800 state officials, together with 33,000 teachers in public schools, got this extra allowance, to a total amount of

¹ In July 1915 rents had increased 25 per cent; the cost of new shoes and the repairing of old ones, 100 per cent; the cost of clothing, from 30 to 50 per cent, although of inferior quality.

1,820,000 guilders. Their collective loss was certainly not a penny less.

In 1917 the state granted another bonus. The increasing pressure of the times forced the government to fix at 1,000 guilders the maximum salary entitled to a bonus. The allowance itself was fixed at 12 per cent of the annual salary, with a maximum of 120 guilders and 15 guilders for each child.

The need increased to such an extent that the government, in 1918, raised the maximum of salaries to be allowed a bonus to 2,500 guilders for unmarried persons and 4,000 guilders for those who were married. The total allowances then amounted to 17,500,000 guilders.

After the second half of 1918, salaries were systematically raised, which entailed an expenditure of about 50 million guilders. Moreover there was another bonus for 1919, which would cost the state another 10 million guilders.

The relation between the bonus and the actual salary is exhibited by the following table :

Annual salary	Maximum bonus for a family with 8 children under 16 years		
	1916	1917	1918
<i>Guilders</i>	<i>Guilders</i>	<i>Guilders</i>	<i>Guilders</i>
600	104	240	350
800	120	240	350
1,000	133	240	387
1,200	. . . . .	240	425
1,400	. . . . .	240	450
1,600	. . . . .	240	450
1,900	. . . . .	240	450
2,400	. . . . .	100	450
3,000	. . . . .	. . . . .	375
3,900	. . . . .	. . . . .	125

Taken all in all, there were 70,000 officials who were allowed the bonus. As it was quite insufficient to meet the increase of prices, it did not prevent the large majority of this group from falling into straitened circumstances, which did not improve until the end of 1918. The officials then received 75 per cent of the

increase of salary which was to be accorded to them and which would amount to an average of 30 per cent. In 1919 the new salaries were paid in full, augmented by a bonus in so far as the new salaries did not exceed the old ones by 50 per cent, with a maximum of 1,000 guilders, while in any case every married man got 200 guilders and every unmarried man 100 guilders.

The government knew quite well that the bonus was not sufficient, but it justified itself by referring to the sorely pressed exchequer, which did not permit of raising salaries to the height of the increase of prices, which had been calculated at 180 per cent by the government itself. As another argument it added that a bonus could not overcome the evil on account of the existing scarcity of supplies. 'The high cost of living is to a large extent caused by scarcity of supplies, and this scarcity cannot be mended by a bonus.' But the government omitted to mention that a 'bonus' would certainly, in the nature of things, lead to a more even distribution of such scanty provisions.

Illustrative of the hardships of this period are the data procured by a central organization of higher state officials. This organization started an investigation into the financial position of its members during the crisis period. It examined some 100 budgets of 18 officials. The results are shown in the following table :¹

Year	Average income	Average expenditure ^a	Rent	Average deficit
	<i>Guilders</i>	<i>Guilders</i>	<i>Guilders</i>	<i>Guilders</i>
1913	2,170.33	2,862.51	346	692.18
1914	2,082.98	2,886.67	342	803.69
1915	2,190.98	2,977.08	367	786.10
1916	2,301.45	3,348.74	382	1,047.29
1917	2,560.83	3,816.60	405	1,255.77
1918	3,347.21	4,612.11	444	1,264.90

^a Including rent.

So the average increase of expenditure was 60 per cent, which agrees beautifully with the increase in the labourer's family budget if he restricted himself to the utmost. Not hopefully, but truthfully, the record winds up as follows : 'Notwithstanding the

¹ *Maandschrift van het Centraal Bureau voor de Statistiek*, May 1919, p. 606.

much more frugal mode of life, the increase in income (by periodical raising and improving of salaries and by bonuses) was about 500 guilders short of the increase in expenses.'

Among the second group are those engaged in the so-called repairing industries. In Holland these industries comprise many small concerns. There are a great many painters, plasterers, carpenters, masons, builders, and plumbers who have but few assistants and whose incomes are less than 3,000 guilders. For them times were very bad indeed, for if there was to be a cutting down in expenditures, building repairs were omitted first of all, as this was a privation which could easily be borne until better days dawned.

For some persons who did not live on fixed salaries, matters wore a more favourable complexion. Especially merchants, manufacturers, brokers, and retailers could indemnify themselves by asking high prices of the consumers. Old stock, long since assumed to be unsaleable, perhaps, might be cleared with a fair profit. It was the small shopkeepers who profited most by the regulation of distribution, as purchasing prices and margins of profit were made the same for everybody.

The professional classes also contributed toward the inflation of prices. Doctors and lawyers raised their fees, which did not always keep them from falling into great straits in those days. Clergymen, pensioners, and small capitalists suffered most of all, as there was no improvement in sight for them. The year 1917 was especially hard on them on account of the Russian collapse. In 1917 the number of those who were rated for capital from 15,000 guilders to 20,000 guilders diminished from 16,385 to 16,219.¹

Keepers of hotels and boarding-houses, most of them belonging to the second group, did splendid business. The Dutch, a very large number of whom, relative to the total number of their population, are wont to go abroad in summer, had now to content themselves with their own country, much to the advantage of hotel and boarding-house keepers. For the same reason there was a great increase in railway traffic during the summer months.

Passenger traffic amounted to :

¹ *Jaarcijfers*, 1917, p. 154.

Month	1913	1914	1915	1916	1917	1918
	<i>Guilders</i>	<i>Guilders</i>	<i>Guilders</i>	<i>Guilders</i>	<i>Guilders</i>	<i>Guilders</i>
July	3,992,394	4,346,669	5,092,009	5,390,261	5,982,854	
August	4,394,664	1,765,414	4,749,627	5,413,582	5,753,086	6,539,323

The third group suffered also, but they were in a position to reduce luxuries without being much worse off.

At the beginning of the war 3,000 guilders was thought a decently sufficient income for an official of simple habits, and his wife and children. Many teachers of high schools and secondary schools, and many lawyers—university men for the most part—had to content themselves with this income. In the *Sixth Economic Note* the Minister published the results of an investigation into the budget of the family of an official with four children, who earned the above salary, showing what this budget was like after a year of the crisis period. It was proved that as early as July 1915 expenses had increased on an average by 13 per cent, and that this increase would have amounted to 26·67 per cent if regulated distribution had not reduced prices. Some two years after, in March 1917, the Minister again published an analysis of a similar budget, the increase of which amounted to rather more than 30 per cent.

It is absolutely certain that for this group also the increase of prices in 1918 rose to twice the above percentage. The battle for existence was very hard. The Minister's statement that the persons who at the end of 1918 had incomes of from 5,000 guilders to 10,000 guilders had the greatest difficulty in making both ends meet was entirely true. Moreover, many persons of this group had been accustomed to eking out their salaries by the income from some small capital, which for the larger part was invested in safe funds, since they did not as a rule care to hold speculative securities. Along with railway and government bonds, they had invested especially in Russian bonds. The war struck home here with a vengeance, and in consequence many of them were reduced to a life of great anxiety.¹

¹ It was pensioners, widows, and orphans who suffered most. Among them were many small capitalists, some of whom were reduced to actual penury.

For the really wealthy the war entailed but slight material loss. Those who observed meticulously the official rationing regulations were inconvenienced like the rest by the scarcity of food and fuel. But to the very last those who chose to do so could procure all kinds of food and luxuries, although at very high prices, by reason of the great extent of illegal trade.

CONCLUSION

As amply illustrated by the foregoing statistics, the war period weighed heavily on the population of the Netherlands. The labourers suffered most, but the lower middle classes also were sorely pressed by the increase of prices, the scarcity of supplies, and the increase of taxation. Much of the suffering is over now, and will be forgotten after a time. The want of all kinds of luxuries, such as coffee, tea, fruit, cocoa; the insufficiency of heating and lighting; the even more serious shortage of food, such as meat, fats, and especially bread—all these were serious evils as long as the crisis lasted, evils, indeed, one must not think of too lightly. Nevertheless they are now past and have caused nothing but a momentary loss.

But there is also a permanent loss. Society as a whole is still impoverished by the loss of capital. Although this loss is not irreparable, yet it must be made up before production can reach its former level. But this is a national loss, and must be viewed in relation to world economy. The destruction of the mines in Northern France, for example, may be counterbalanced by intensified exploitation of mines in other countries; the demolition of railways, by an immense production of freight motor-cars.

Happily the Netherlands have suffered but little in this loss of social capital. In our country direct war outrage was committed only on our mercantile and fishing fleets. But the necessary supply of funded and floating capital was often paid for very dearly in our country, especially during the latter years, while the goods delivered were of inferior quality. Also in Holland materials procured in war time have a bad reputation, and establishments that had to make any extensive improvements during the war years have thereby contracted liabilities which may not be redeemed for a long time.

Lasting loss to our national welfare was caused by unproductive expenditures of the state, in so far as they were not met out of savings from national income or were not conducive to the creation of new capital.

In this unproductive expenditure first place may be given to what the state spent on defence. Secondly, the amount paid by the state, when buying and distributing food in excess of what a private person would have paid in ordinary times, in so far as this surplus went to foreign purveyors. So far as the surplus remained in the country, only a shifting of wealth took place, which might have contributed at once to the accumulation of capital by the *nouveaux riches* and to the loss of capital by the tax-payers.¹

The loss is permanent if and so far as the productive power of the Dutch people is permanently affected. If old commercial relations were broken without being replaced by new ones, if world routes no longer passed through our country—to give but a few instances—this would be a much greater loss, which perhaps might manifest itself within a few years.

There are, on the other hand, several corporations and private persons that have invested their large profits in industries. Numberless concerns have been extended and many new firms have been established. Considerable amounts are involved here.

An Amsterdam newspaper stated that the following amounts were invested :

Industry	1912-13	Sept. 1915 to Oct. 1918
	<i>Guilders</i>	<i>Guilders</i>
Metal industry	6,716,000	32,132,000
Luxuries and food	15,870,000	91,641,500
Clothing industry	25,840	7,690,000
Chemical industry	20,000	15,623,000

But on return to normal times the cost of exploitation for some of these concerns will make it impossible for them to compete, and others, as beginners, will be crushed by competing long-established foreign industries.

It is feared that many of the persons who, enticed by the ever-

¹ That the amount of taxable national capital does not show any signs of decrease is not in contradiction of this, as the government liabilities which represent this loss are counted therein. The figures of the capital tax are often cited in this respect without proper allowance for this fundamental difference.

increasing prices of raw materials, have started farming on borrowed capital will presently come to grief from a considerable decrease of prices of dairy products. The same may be said of a large number of newly established mercantile and shipping concerns, fisheries, and chemical factories.

Permanent individual loss appears to be greatest in the middle classes. The labourers have succeeded lately in securing a considerable increase of wages, and as it is to be expected that prices will go down, their standard of life will, in the future, rather improve than otherwise. Their increasing political power is certainly not without bearing on this point.¹

The middle classes will suffer most, as there is no increase of wages in store for them. They will be heavily weighed down by the decrease in the valuation of their small capital and by increased taxation, and they cannot reduce their expenses without being exposed to real privation.²

Only the really well-to-do will be able to maintain their standard of living. That by the weakening of the middle classes the disparity between labour and capital will be accentuated goes without saying.

The ranks of those who oppose capitalistic society will undoubtedly increase. In the Netherlands, as elsewhere, considerable agitation is prevalent among the working classes, which will lead to greater equalization of the conditions of life, partly through increase of taxation of the wealthy, and partly through extended social legislation, which will indirectly affect the rich as they will have to pay for it in the end.

The question to what extent communism will spread and alterations in our social system be insisted upon, possibly by force,

¹ In 1922, however, the employers' assault set in. In most cases they demanded at first an extension of work hours from 45 to 48 hours a week, but often they coupled with this demand, either at the outset or later, another one for the lowering of wages. The contest is still in full swing, but in several lines of business the labourers have already consented to a lowering of wages.

² Indeed it has come to this. The middle classes suffer most. A great many professional people suffer as well from non-payment; bankruptcies, insolvencies are the order of the day. As to the officials they had to part, dating from January 1, 1923, with 8½ per cent of their salary as a contribution to their pensioning fund.

In addition to this, there exists a considerable superfluity of persons in all sorts of professions and offices, and the want of employment there too is very great.

must be left to the future. Happily, there is also a positive endeavour to reduce prices by frugality and by a more economic use of productive powers. The conditions, however, are too chaotic at present to justify any guessing at the possible issue.¹

For the Dutch, as for mankind generally, it is thrift and increase of production which will prove the best means of recovering the immense war losses.

Although hard times may still be in store, an examination of the conditions following in the wake of former wars cannot but inspire one with hope for the future.

¹ It was only at a later period that a lowering of prices set in, which as yet has not come to a standstill. Cf. p. 58.

ANNEXES

BUDGET OF THE ROYAL NATIONAL RELIEF COMMITTEE, DECEMBER 31, 1918

Expenditure	<i>Guilders</i>	<i>Guilders</i>	Revenue	<i>Guilders</i>
RELIEF COMMITTEES				
Rent	1,373,530-20½		Contributions from private persons ^a	5,038,718-21
Ordinary contributions	9,691,168-85½		Subvention from the state of the Netherlands	33,750,000-00
Christmas gifts, 1914	44,255-00		Contribution from the Industry Committee	142,474-82
Clothing and covering	341,113-97		Contribution from the Wool Committee	38,240-00
Clothing for children	39,386-00		Capital	1,000-00
		11,489,454-03	Interest and miscellaneous	33,274-12
FEDERATIONS AND CORPORATIONS				
Philanthropic institutions	101,227-59			
Federation of Applied and Industrial Arts	5,673-85			
Dutch Relief Committee for Creative Artists	47,347-80			
General Dutch Federation of Carpenters	7,247-22½			
General Dutch Federation of Plasterers	5,705-80			
Dutch Federation of Painters' Assistants	7,399-78			
Butchers	28,379-82			
Bakers	4,280-59			
		207,262-35½		
Cigar makers		604,492-35		
Diamond cutters		332,502-44		
Reduced wages during unemployment		2,839,376-21		

Finding of employment	841,103.71½	
Finding of employment for tailors	131,414.69	
Building of houses for the lower middle classes	803,683.50	
Erection of temporary houses	88,416.00	
DUTCHMEN ABROAD		
In Belgium	917,877.38½	
In other countries	388,140.68	
Parcels with food	326,351.54	
Dutchmen from abroad	1,632,369.60½	
Small shopkeepers called to arms	247,084.99	
Different persons	215,793.17½	
Demobilization (a.o. Royal National Committee for Support of Militia Men 837,447.67 guilders)	324,719.88½	
Assistance of officers on leave	1,044,904.78½	
Relief Committee, Curaçao	7,398.94	
Fares of enlisted men	3,000.00	
Damages by explosion of mines	2,080.63	
Fishery	485.78	
Credit to the middle classes	2,583.94	
Central kitchens	1,476.79	
Relief to aged persons	1,095,241.26½	
Labourers employed elsewhere	2,817.00	
Harbour reserve at Amsterdam	359,156.30	
Harbour reserve at Rotterdam	382,028.74	
Veem reserve at Amsterdam	1,229,310.08	
Boskoop Relief Committee for nurserymen	41,178.73	
Relief of growers of anemones	204,186.75	
Accident benefits	33,500.00	
Carried forward	2,970.30	
	24,169,992.97½	39,003,707.15

BUDGET OF THE ROYAL NATIONAL RELIEF COMMITTEE, DECEMBER 31, 1918

Expenditure		Revenue	
	<i>Guilders</i>	<i>Guilders</i>	<i>Guilders</i>
Brought forward			39,003,707.15
DISTRIBUTION BILLS			
Shoes		24,169,992.97½	
Wooden shoes		11,474,680.72	
Draperies		2,302,974.77½	
Clothing		15,074.84½	
Worsted		20,480.75	
Food (outstanding balance, 1914-15)		213,219.44½	
ADVANCES		2,614.05½	
Dutch Federation of Workmen in the Metal Industry	5,566.70		
General Dutch Federation of Labourers in Distilleries	300.00		
Federation of Roman Catholic Butchers' Assistants	1,500.00		
Central Corn Factory	32,282.80		
Rural Federation of Labourers in the Building Trade	12,100.00		
Co-operative Federation of Plasterers (Willen is Kunnen)	3,950.00		
Dutch Federation of Butchers' Assistants	28,000.00		
Military growing of food	2,389.57½		
Shares of the Coal Reserve Company in liquidation	1,771.79½		
Savings and credit fund (Eigen Hulp)	20,000.00		
Co-operative Building Federation (Utrecht)	2,000.00		

Federation at Rotterdam (Winkelstand)	500-00	
Zeerisico Company	21,455-00	
Finding of employment for tailors	57,266-42½	
Central Federation of Labourers in the Building Trade	19,500-00	
Dutch Federation of Labourers in the Glass and Pottery Industries	8,000-00	
Dutch Christian Federation of Labourers in the Building Trade	6,602-78	
General Dutch Federation of Plasterers	7,000-00	
Federation of Skippers	26,212-24	
Dutch Central Federation of Labourers in the Trades of Food and Luxuries	3,000-00	
Dutch Federation of Roman Catholic Labourers in the Building Trade (St. Joseph)	10,000-00	
Other advances		269,417-31½
CONTRIBUTION TOWARD RELIEF OF INDUSTRIES		68,395-21½
Dutch Company for the Advancing of Money on Security of Ships (Dordrecht) (covered by securities)	5,790-00	
Company for the Advancing of Money on Security of Ships (Amsterdam) (covered by securities)	4,900-00	
Miscellaneous		10,690-00
Balance in hand		292,162-02
		164,005-03½
		39,003,707-15
		39,003,707-15

* Among which is included the produce of bonds presented to the Royal National Relief Committee, 11,634-88 guilders.

ANNEX II

TAXES AND DUTIES, 1841-1918 ^a
(expressed in thousands of guilders)

Periods and years	Direct taxes		Excise duties		Indirect taxes		Import, export, and transit duties ^b		Total return	Total per capita
	Return	Per capita	Return	Per capita	Return	Per capita	Return	Per capita		
1841-50	Guilders 18,054	Guilders 5.99	Guilders 19,021	Guilders 6.31	Guilders 9,332	Guilders 3.09	Guilders 4,973	Guilders 1.65	Guilders 51,380	Guilders 17.04
1851-60	19,517	6.07	19,064	5.93	11,719	3.65	4,606	1.43	54,906	17.08
1861-70	21,038	6.05	22,589	6.49	13,805	3.97	4,639	1.33	62,071	17.84
1871-80	23,182	6.08	34,848	9.14	20,597	5.41	5,274	1.38	83,901	22.01
1881-90	26,588	6.16	42,191	9.78	23,539	5.46	5,111	1.19	97,429	22.59
1891-1900	32,939	6.79	45,000	9.28	22,393	4.62	7,477	1.54	107,809	22.23
1901-10	40,334	7.25	56,079	10.08	26,161	4.70	11,503	2.07	134,077	24.10
1911-13	50,807	8.37	64,676	10.65	31,190	5.14	15,620	2.57	162,293	26.73
1914	56,533	9.01	69,276	11.04	30,187	4.81	14,456	2.30	170,452	27.16
1915	76,149	11.91	71,000	11.10	31,839	4.98	15,156	2.37	194,144	30.36
1916	133,336	20.33	78,902	12.11	42,605	6.54	16,663	2.56	270,693	41.66
1917	342,487	52.37	89,464	13.45	56,213	8.45	12,871	1.93	507,035	75.35
1918	339,812	50.33	84,484	12.51	70,328	10.42	9,675	1.43	503,299	74.69

^a *Jaarcijfers*, 1918, p. 322.

^b Without stamp duties on size of documents.

ANNEX III

IMPORTS, DIMINISHED BY RE-EXPORTS, OF SOME IMPORTANT FOOD SUPPLIES AND RAW MATERIALS, 1913-18 ^a

	1913	1914	1915	1916	1917	1918
	<i>Kilograms</i>	<i>Kilograms</i>	<i>Kilograms</i>	<i>Kilograms</i>	<i>Kilograms</i>	<i>Kilograms</i>
Wheat . . .	430,000,000	373,000,000	598,000,000	752,500,000	290,000,000	45,000,000
Maize . . .	702,000,000	542,000,000	1,080,000,000	699,000,000	209,500,000	5,700,000
Oats . . .	110,000,000	80,000,000	63,000,000	71,000,000	39,300,000	8,300
Barley . . .	191,000,000	167,000,000	108,000,000	127,000,000	43,000,000	2,900,000
Rice . . .	183,000,000	123,000,000	55,000,000	61,000,000	16,000,000	7,800,000
Tea . . .	5,452,000	5,941,000	6,321,000	4,916,000	4,500,000	626,000
Coffee . . .	53,000,000	14,000,000	31,000,000	22,000,000	14,300,000	3,626,000
Cocoa . . .	29,900,000	32,000,000	40,900,000	20,000,000	7,800,000	2,300,000
Copra . . .	18,200,000	33,100,000	103,400,000	86,200,000	33,000,000	106,000
Coal . . .	8,264,000,000	7,334,000,000	6,712,000,000	5,610,000,000	2,474,000,000	1,136,000,000
Coal (inland produce) . . .	1,873,000,000	1,929,000,000	2,262,000,000	2,650,000,000	3,007,000,000	3,399,000,000
Cotton (rough) . . .	36,177,000	29,112,000	39,927,000	38,000,000	9,800,000	188,000
Cotton (yarn) . . .	37,500,000	30,600,000	21,600,000	20,000,000	15,900,000	8,000
Copper (no ores) . . .	17,700,000	1,187,000	2,211,000	3,500,000	nil	nil
Iron . . .	339,600,000	286,000,000	415,000,000	336,000,000	nil	nil
Nails and tacks . . .	2,658,000	3,392,000	6,699,000	5,918,000	nil	nil

^a *Jaarcijfers, 1918, pp. 232, 233; Jaarstatistiek van den in- uit- en doorvoer, 1920.*

ANNEX IV

The Haagsche Bestuurdersbond, a local federation of Trade Unions, in its annual report gave the following survey of weekly wages earned by labourers in The Hague :

	1910	1914	1918	September 1919
	<i>Guilders</i>	<i>Guilders</i>	<i>Guilders</i>	<i>Guilders</i>
Bakers	12-13	14.50-15.50	20-21	30
Distillers	13.50-18	14-19	16.50-21	27-30
Labourers employed by the commune	12.50	12.50	13.50	22.50 + 5 bonus
Labourers in glass and pottery fac- tories	14-15.50	14-17.50	18-19.50	22.50-32.50
Spademen	14.62	16.38	21.20	31.50 ^a
Tailors (ready made clothes) . . . . .	. . . . .	17.16	19.80	28.80-30.24
Lithographers	16.21	18.22	20.24	32-36 ^b
Head and responsi- ble engine drivers	12.15-21.70	12.85-22.40	12.85-22.50	36.25 { 5.25-5.65 } daily ^c
Labourers employed by the state	16	17	19.45	30
Painters . . . . .	. . . . .	16.20	27	31.50 ^a
Butchers	15	12-15	16-20	24
Rail and tramway men {	9-12	10-12	11-13	28
	16-18	18-20	24-28	32-34 ^a
Plasterers	18	22.80	23	29
Carpenters	16-18	18.20	24-28	32.50
Typographers	12.60	13.70-17.10	17.67-19.95	30.25-32.63 ^a

^a Minimum.

^b Inclusive of bonus.

^c Those living at the Hague with 0.20 bonus daily.

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